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MEETING

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C O N T E N T S

P R O C E E D I N G S

GENERAL WILLIAMS: Good morning. We are delighted to see so many out this morning and particularly those who are visiting with us and also for the first time. We are always delighted to have our panel.

You know that we have been doing this now for four years. We are starting the fifth year, and we have had such a wonderful time working together, and this panel has been such an integral part of everything that the Overseas Building Operations has done over this period of time. You know personally how I feel about your dedication and service, and once again, I am delighted to have you.

For those who may not know the panel members, I am going to introduce each one, and you just sort of wave your hand where you are. And the person who is just making her way in now is Mary Anderson, and I always illuminate the person who comes into class late, but that is Mary Anderson. Mary has been with us now for a couple of years,

and she has been wonderful on our panel.

We will have a substitute today, and he, too, is a little bit late for class, but since he is coming in for the first time, we will excuse him. He is sitting in today for Richard Chace from our Security Industry Association.

Next to Mary Ann is S.G. Papadopoulos. He has been with us now for a solid two years, wonderful advisor, and we will have more to say about S.G. as we move through today.

Next to him is Mary Ann Lewis, our value engineering expert, and Mary Ann has been very diligent with her classwork. So we will have more to say about that.

Craig Unger comes to us from the Design Build Institute. As you know, that is our delivery system that we are using, so we wanted to have the expert. Craig has been a wonderful advisor and has been very helpful with our panel.

Next to Craig is Joel Zingeser. He is right next to Gary Haney; both very strong members. Joel comes from the construction industry. He

represents the Associated General Contractors.

Gary comes--he's an architect with Skidmore, Owens, Merrill. He represents AIA.

And then, of course, over on my right is Todd Rittenhouse. Todd is kind of the dean of the group now. Todd has been with us since we got started. And because of his willingness and close expertise in an area that we needed, Todd served a couple of stints for us.

Next to him is Michael DeChiara. Mike is representing the owners and developers, and it's an organization that has been very supportive of what we are doing.

So the long and short of it, we have all aspects of industry represented here, and we have tried to cross-fertilize the panel as we have gone through.

So once again, welcome to the beginning of our fifth year, and we have a lot to get started with today, so we're just going to dive right in and get to work. Before I do that, I want you to join me in thanking Gina for organizing this panel

and the panels before. Now, clearly, there are people who she has drawn on to help, but the organization and the mindset and all of that around this is all Gina. So I just wanted to give her that recognition.

We have had a little addition to my organization since we last met. As many of you know, my chief of staff, Suzanne Conrad, had served her tenure and departed. She's been replaced by Bob Castro, who is sitting next to me. Bob had worked as my Congressional affairs manager, for about a year and a half prior to taking the chief of staff position, so he is busy with all of that, and I'm not sure whether he liked the other side better, but he is getting his feet on the ground.

Okay; what we are going to do this morning, I am going to give you an update, as I normally do, so you are right where we are. And with transparency and communication, this is what we have always done. I always share with this panel exactly where we are. I give this presentation when I travel around; I give it to our

own people wherever we are. So you are hearing what is standard throughout.

This first slide starts us off this morning, and it is very important, because it speaks to the mandate that we have in the organization. Our facilities, without any question, play a very important role, and our new leader is focused on how she sees her responsibilities.

Transformational diplomacy is a big deal. It begins with people, the right people situated in the right places and with the right tools and training, and when we speak of right places, that ties right in with our responsibility, because we are responsible for having the transitional platform from which this can be projected.

It is no question that our job is delicate, because we have to put in place improved diplomatic facilities that are capable, obviously, of providing both security and safety and allowing our people to do the transformation work. As recently as yesterday, Secretary Rice was

testifying before the Senate Foreign Affairs Committee, and she made a statement, if anyone is interested, on page 3 of her testimony. She indicated that the concentration of the work for the State Department going forward would be not in the pretty places around the world but will be in the Middle East, will be in Africa, be in Asia, be in Latin America.

So what this is all about is where we will be building will be in locations that are not necessarily the most ideal. Trouble in each of those regions I have just mentioned, and that makes our job very difficult. She pointed out that she was seeking $1.5 billion for our program this year. Secretary Rice has been exceedingly supportive of our program. I brief her every month. She understands exactly what we are doing and where we are trying to go.

So you just need to know, as recently as yesterday, she asked for the $1.5 billion once again. The reason I believe she is doing this is because we have tried our very best under our

results-based concept to get something done. Now, it hasn't been easy because there have been a lot of right turns. I've taken industry on some of the right turns, and it's been some second curve generation, and everybody has had to adapt, people in the organization from a traditional mode into different ways of doing things. And that is what the results base was all about.

But what this has yielded us is strong support from the Congress and, of course, our OMB as well, because it doesn't get through Congress unless it goes through OMB. In 2001, we were delivering one embassy compound a year, and last year, we delivered a dozen. So any way you measure it, it's really about results, and this is what the U.S. Government has gained.

OMB has rated our program, the new security program, and there are representatives from OMB today, so they can testify to this fact if there is any question about it. Our program was rated 97 percent effective for the new construction, and then, of course, regular capital,

you can see the rating as well. Now there is nothing to beat our chest about on these things. It took a lot of work to get there. It takes a lot to sustain it.

The GAO has examined our program numerous times to validate all of this, and OMB constantly keeps watch. But what I am sort of saying is that the combination of a good management focus and excellent work that we have received working collaboratively together, we have gotten something done. So you, the panel, should feel very proud to have been a part of something in government that is measurable.

Now, this is a results-based concept. It is centered around performance, accountability, and just recently, I added discipline and credibility, because quite frankly, it is not enough to perform well unless you can sustain it. All about the President's management agenda is sustainment: you have to get there and you have to stay there.

And I believe you stay there with credibility in terms of how we keep these focused

and discipline. The processes must be disciplined. And, you know, it is not a good word for everyone, but unfortunately, today in government and clearly in the private sector, that is the bottom line. Communication and transparency, and that is what we are trying to do this morning, has to be an operating mantra.

Now, the 12 locations that I talked about in the deliveries, they are listed. Well, the results since 2001 are listed, and I would just like to take you through a little bit of that. You can see them listed on the left side. These are the places all over the world, a couple of photo shots of some; moving on the next slide, you will see another slice of that, giving us a total of 27.

So another way of looking at the program would be since 2001, we have delivered for the Government 27 new facilities that are state-of-the-art from the standpoint of security, safety, and functionality. Last year, 12 of the 27 delivered. Okay; moving now to some other results, we obligated the largest amount of money ever for

this function in the history of the State Department: $2.5 billion last year, compared to slightly under $1 billion in 2001. We moved almost 9,000 people into safer facilities.

So another way of looking at it, you have been a part of a process that has put this number of people now into safer facilities. That is the result. The capital construction program, as we see it today, has 40 new facilities under construction. So you can do the math quickly. You add this 40 to the 27, and you can see what we currently have funding for, and either we have delivered it, or they are under construction.

I am not going to attempt to read the list, but it is quite a bit. You can see we are catching up with our USAID and with a lot of annexes on the right side. So, what is on our plate today? We have 40 new embassy compounds; you have just seen some of that and annexes. That is about $3.5 billion; lots of rehabs, lots of other things as well, because, you know, our program is not just about new construction. That is why the

$2.5 billion obligation amount was listed for last year.

But what is important is that there are 76 new embassy compounds in our long-range plan, which is valued at $6.5 billion. You know that plan spans six years, so that is six years of work. We have responsibility for over 17,000 properties at over 260 properties around the world. Now, we are into FY '06, and this is the plate for FY '06. We will be rolling these out late spring, early summer, and this will be added to the list of 40, and hopefully, we will take 10 or 12 out this year as well.

Next slide, what is very big now is connectivity to the President's management agenda. It's a rather new agenda, but it is important, because our function is property management overseas. And there is no secret through the years, for many years, it has not been managed very well. And to that extent, with OMB as the catalyst, it became a President management agenda.

We now are leading this, and we sort of

drew how we need to get there. The status right now is yellow for status and green for progress, and we have been in a dialogue with the OMB that we hope to be at green by the end of this fiscal year or earlier, and they are working with us toward that goal.

But the real trick is not just to quickly get there. It's to have a vehicle that will ensure that we stay there. We have to sustain ourselves, and that is what we are really trying to get with all of our efforts that we are taking place here, not just to run out and do X amount this year but have it in a sustaining fashion, and that is what it is about.

Okay; what I am going to do now is take you through sort of what we have done, because--and I kind of do this in a kidding way, because it's always good to say that well, you did 12, you did 27, whatever, but, you know, I'll believe that when I see it, because, you know, I've been living for a few years, and I know how people think. A presentation is very good, but it is only

substantiated when you can show someone.

Starting in 2001, and when we started this journey, the first opening was Doha in Qatar. In fact, our Secretary will be there very shortly for some major meetings. Lima, Peru is another very large USAID facility that was put in place. Tunis, in Tunisia, large compound, described just the way that I spoke to the NECs; Dar es Salaam, you know what happened there in 1998 and also in Kenya. This was one of our first facilities that we put in place.

This shows the new Marine security guard quarters on that same campus, if I should call it that. The USAID building, as well, is situated there, just giving you a feel for how this is, because there is a lot of different mindsets about what we are doing, and some people who are not informed think about bunkers and all of that because we put emphasis on security, but I was briefing some people from Wall Street a couple of days ago, and the person commented that his corridor didn't look much better. So I just wanted

everybody to see what we're buying.

Nairobi, Kenya, is situated here. Obviously, it was one of the early ones that we put in place. These places are absolutely fantastic. Anyone who has any notion about not wanting to serve in the building would--well, they would need to be reworked.

[Laughter.]

GENERAL WILLIAMS: Nairobi, Kenya, this is the Marine security guard quarters. You can see that that is in place. This is Nairobi, Kenya, the USAID building. We were playing catchup with the USAID buildings, but this now makes that wonderful 15-acre complex just like a community college. Istanbul, Turkey, one of our major consulates; this opened a year and a half ago.

Zagreb in Croatia is open, up and running, has been open a year and a half. Abu Dhabi in the Emirates, our Secretary will be there as well very shortly. This has been open about a year. Tirana in Albania, we are kind of remaking that location as well. This is the MSGQ. We also have a very

large annex which follows on the next slide that will make this now a complete reworked facility, and we are hopeful by the end of the spring to have Tirana open.

Sofia in Bulgaria, open, in fact, Secretary Powell lit the light on the Christmas tree there in 2004, so it has been open now for a year. Yerevan in Armenia is open. It's been open almost a year. Abidjan in Cote d'Ivoire, I know that you will recall there were a lot of war issues associated while we were building here. It is now open.

Abuja in Nigeria is open. It has been open about six months. Luanda in Angola, it has been open about four months. Cape Town in South Africa, about 90 days; Yaounde in Cameroon--this is all West Africa--about 90 days.

Kabul, Afghanistan, we have completed, we have phased in the work in Kabul, so this is the first part of it with the modern housing, and this is the--of course, the atrium view that you are looking at in a war zone. And we are following up

with the second phase, which is some support facilities. This sort of represents the complex. What you see in the upper front represents the new place. And then, of course, we have some temporary facilities across the street.

Phnom Penh, we just opened this about three weeks ago, and if you had to look at Cadillacs and Mercedes and all of that, this would be a Cadillac. This is a really fine facility. In fact, it's attracting the locals. This is a favorite spot now to come and take a prewedding or postwedding picture.

[Laughter.]

GENERAL WILLIAMS: So this is saying a lot about transformational diplomacy, and our Secretary's response, maybe we should build more embassies like this or spend more money in that way.

This is Frankfurt, Germany. This is a remake of an old hospital, and it has now one of the largest consular operations in our system. Tashkent, Uzbekistan, was open about three weeks

ago, and this is a wonderful arrangement, and it is out there in a very difficult country.

Tbilisi, Georgia, as you know, this country is right next door to Russia; again, quite a distance from home. It is now open. And I might add that both of these facilities and also Phnom Penh as well, they all came in months, months ahead of schedule, and I know somebody will write that down, so that's--Dushanbe, Tajikistan is a tough location. This is a tough project for us. We tried a little different concept here, and we are working through that. We hope by the end of the summer, we will have this in order.

Conakry, Guinea, again, is moving along at about 95 percent complete. That will be a late spring opening. This is Bridgetown, Barbados; again, reworking through a very tight area, but nevertheless, getting our people out of harm's way.

Kingston, Jamaica, I was just there two weeks ago. This one is coming along okay. We will be hopefully in this building by Labor Day. What follows is something that is very personal to me.

This is--the original name was Crown Plaza, and now, it is the Colin L. Powell Residential Plaza. What happened, there were some financial difficulties by the local folks who put the structure in place some years past, and long and short, we bought it, and we reconfigured it into some very nice apartments.

It will end up with 35; we have 30 in now, and it has been commissioned and opened, with two floors to be done very shortly. But the former Secretary is very pleased about this. Most of you know, he is a Jamaican immigrant.

Freetown, Sierra Leone, which is a very difficult area, you can see the percent of complete there. Five years ago, there was still fighting in this country, so you can see how quickly we have made a connection and just about have the embassy complete.

Astana, Kazakhstan, this is the fourth of the Stans now that we are working through; halfway finished with that. Bamako in Mali is the other one listed here; Lome in West Africa as well, these

are all about 50 percent complete.

Belmopan in Central America, Belize, if you will, except this location is about 50 miles inland, a little higher ground because of all of the flooding that takes place near the coast.

Athens, Greece, we are doing what we are doing in Tirana and other places. We are kind of remaking the campus now into sort of this holistic collocated arrangement. We are putting an annex in place, we are putting in parking, we are bringing the Marines in. So Athens will no longer be the one building, but it will be a complex, which is very good.

Accra in Ghana, off to a great start. This was--we only broke ground there less than a year ago. Katmandu in Nepal is a tough part of the world, but we are moving along there. This is Panama City in Panama and nice start there as well. This is in Algiers, in the northern part of Africa, and you can see that these are not countries that are not without challenges.

So we are working through a host of them

there, just like in Rangoon, Burma, we are bringing a facility up there, and then, of course, Berlin, you know this was stuck for a long, long time, 10 or 12 years, and we now are working getting this done. It is a very tight spot, very small spot. It takes all the best in management to work through it.

Port-au-Prince, Haiti, you know what's going on in Haiti as well as I; a lot of insurrection. A lot of unsettlement, and we are working there as well. Managua in Central America, as you can see, like Belize, it's a little bit behind Belize, but it is moving along as well. Beijing in China is the--prior to Baghdad, it was the largest and most expensive undertaking that we had done to date. It is moving along; very, very tight schedule. It's a very difficult project because of the elements and other things that we have to deal with as well. That is ongoing.

And what is not listed here is, for general information, is our Baghdad project. It is out of the ground. It is 30 percent complete. Our

managing director is there as we speak. It has a host of challenges, but things are doing well there, and we are still committed to complete and deliver this project in 24 months, and that is ongoing.

This slide shows you the number of people; I mentioned before the 8,419 who have been moved into safer facilities. It just further emphasizes that point. Now, I have given you everything that we know, and this is a part of transparency. And so, you can help us tell the story, and I don't want to sound as if, you know, I'm optimistic by nature; you would have to be in a job like this with this kind of responsibility, but it has not been without big challenges.

We have a plate of things to deal with every day. But the program is working, and for you who are taxpayers, you can--you have something you can report back. The amount of money that was entrusted here, we have tried to be good stewards about it, and we have delivered more than the Congress asked for us, because we have generated

savings, and two of the facilities I showed you today were put in place as a function of saving money.

So that is where we are, and I would just like to see if there are any questions now before we launch into a different phase.

AUDIENCE: The embassy in Baghdad, sir, is that 24 months from today?

GENERAL WILLIAMS: Twenty-four months from six and a half months ago, so we've got 17 and a half months on the clock.

Okay; all right. We are going to get started, and let me just mention how we do this for the purpose of those who might be here for the first time. We have our panel, and this is a working panel. And you need to know that not one single member of the panel is paid. The best they can get out of me is a free lunch, and that's controlled by how fast you can eat, so I just want everyone to know this is purely pro bono, and they will tell you, but they really love it, and we are happy about that.

We tried to integrate all of our panel members into the process. They know what we are doing. We have exposed them to it. And what we are going to do today, and actually, for the rest of this year, at the end of last year, our Engineering News Record, sponsors the McGraw-Hill publication, was kind enough to invite me to their major forum on the West Coast to talk about new ways of doing this business.

And so, at that particular forum, we rolled out something which has been now labeled as the Williams 20. These were 20 new ways to look at our business. And they sponsored this. They published it and helped me get the word out to industry, which I am very appreciative to ENR for. I showed this to you, the panel, at our last meeting prior to my going to San Francisco, I mean Los Angeles, because you saw it first, and it was sent out with your blessing, and it worked out well for us.

We have now put into the fabric of OBO, and it is digesting and being chewed on, but

eventually, it will digest. It is a sharp turn where we are getting into the second curve again, but I believe that this is a piece of government that our taxpayers would like to see. I have been visited by our Corps of Engineers as well too--and I don't mind saying this--to look at some of what is in this paper, and if we can share it with other portions of the Government, we will be happy to do that.

And that is one of the reasons this session is open. So what you are going to see today, you're going to see our panel take five of these new initiatives, starting with the most controversial one first.

And to show you how we are going to deal with it, we are going to have Government and industry working together. I know it has been said, because I have been in this thing for 38 years or so, that you don't work well together. But I think after five years, any one of you sitting around here will tell you that that is not the case here. We have tried to promote this

across the board and to show everyone. And particularly the public that we are true about that, we have teamed an industry person with one of my staff, and their homework has been to dig into this new initiative that is published, and we want to get all the juice that we can out of it.

And from this, we feel we will be a better organization. We will be a more informed industry. We can work together, and we can get some things done. And to me, this is good Government. This is the way Government is supposed to work. We are not supposed to fight and have adversarial relationships. We are supposed to hover around initiatives and make something go, because we all want the best for our country.

So, that is what this is about, and we are not going to delay much further. I am going to introduce it, and then, our panelists and team will take over. The first new way to look at our business going forward, and this came about as years and years in Government, in the private sector, and participating in a lot of different

ways, to move to a true risk allocation process, because in this business, there is risk. But what makes it work, I believe, is to have it fair, not try to make it go away, but acknowledge the fact that there is risk.

There is a shoulder on the Government side, and there is a shoulder on the private sector side, and we have to figure out how to carry this load, and we want to make certain that it is clear from the outset and acceptable by all parties. And this sterling team that is going to jump on this is Joel and Mary and Joe Toussaint, and they are going to take it apart, all right?

MR. TOUSSAINT: General, if I may, and teammates, if I may lead off with a few comments.

We do not have any PowerPoint slides, so you will have to bear with our fine words and our precise way of communicating. Let us first start with the process that we brought to this. We got together, we talked on the phone, and then, we got together for a working lunch, and I must admit I was a little bit negative on how well a working

lunch would work, but we did work at lunch, and we stayed on beyond lunch; got some good ideas out on the table.

What we concluded was what would be most useful would be for, having talked around the issues and what we were doing was that I would lead off and sort of put out what OBO is doing. And then, the industry members would, even though we've talked a little bit since, they're free-flying. They are going to bring to us comments on perhaps what we're doing as well as other ideas that they may wish to put on the table.

Very simply, your Williams 20 talks about process, and I think we first break it down into the process and the products. In a process sense, number one, one of the first issues that we're working on, and actually, I think we can thank Todd Rittenhouse for bringing this to the panel maybe about a year ago was this whole issue of geotechnical risk.

We had been in a position pretty much of putting the burden on the design builders to take

on the risk of figuring out what sorts of foundation systems would be needed, and we would give very little information. We would say here is the site; here is the location; you go and figure it out.

As we reduced the time and the delivery of our product, this put greater risk and greater burden on the design build team. So what we are doing in '06, and actually, we started a little in '05, is that we are taking upon ourselves, OBO, greater geotechnical investigations. So when Patrick's folks are buying a site, when Jay's folks are doing the planning, we actually get in and do more extensive geotechnical investigations, sort of have the due diligence to buy the property but also to master plan, identify where you may have to do additional borings and actually commit to a foundation system.

So we will be going out in '06 with, if it is a deep pile system, we will give particulars on that. We will put unit prices in for additional or less work. We feel that this is a fair way to

shift the risk back to the owner. It is our site. We have the time. We can find out more and make more commitment to what kind of foundation system the design builder will have to do. Now, I expect that the panel members will have some feedback on that, and there may be some additional things we want to do on that.

Another issue in terms of process is that we have two roundtables, we call them, with industry. The first roundtable is one that Bill Miner's people run, and that's in the October time frame. That roundtable, we get feedback from the industry on how well we are doing with our standard embassy design. We open it to everyone, and then, we have another session with those who actually have the contracts in a second session. So we will get feedback on what lessons may be learned.

We combine that with value engineering activities, so all told, we have taken 450 lessons learned and applied those to the SED. So while we are trying to keep this standard embassy design as standard as possible, we know that any standard can

always be improved.

So we see this as another process that we have in place to perhaps in some cases pick up some risk that we are not aware of and identify the areas that the Government can help the contractors better.

The second roundtable is a prerelease of the RFP roundtable, and that one is hosted by the acquisitions folks, Walter Cate's people. And that's in the April time frame. We have one coming up now. At that roundtable, these take place at OBO South, at that roundtable, we roll out and explain to industry what may be new in our SED for that generation, so we will explain if there are some new initiatives we've taken, for instance, in security systems design and furniture installation and so forth; we will explain to them process to follow, and again, we may get feedback that we will then consider for the next generation.

The third process is what--and I think Bill will talk more in detail about this, because it does affect risk, and that's the IDRs. This is

something you started, sir, five years ago, which is where we sit around the table and speak with one voice as to what the review is, what it consists of, and what the government needs done, and what the contractor needs done and is providing.

With that, we have another sort of process issue or process item that we have introduced in the construction phase, and that's Bill Prior's. Now, what we are doing here is we have a conference call. We started using this last year with problem projects, and now, I think we are going to look to have this as a more general way of operating.

We have regular meetings on site between the project director and the contractor. We have regular meetings back here with the contractor's head office. But what the conference call does is it puts on the phone at one time our person, OBO's person in the field, the contractor's home office, our home office, and any stakeholders that might have to be involved in that.

It is sort of like an electronic--the old partnering approach, where we talk issues; it

doesn't change any of the contract terms; however, it lets us surface the problems, the real problems that have to be worked on. So those are three general process areas that we have--we are using in our risk allocation.

Now, in terms of products that come out of that, we have some other items. One is Government-provided materials, and this is again one that you started, sir: it's the forced entry ballistic resistant doors and windows, where this is an item that is on--it is a long lead item; it is on every project's critical path. Now, we are buying the doors and windows for the projects. We have them at the manufacturing facility.

The contractors will take delivery of those according to their schedule as they need them and send them to the site and install them as they need them. They think that--this is the first year we are using that, so we are learning, and we will improve this as we go forward, but the first reports indicate from our perspective is that this is a good change. It was a simple thing.

We were quite--frankly, we were reluctant to do it, to take on Government-furnished materials. It was the last thing in the world that you want to do. But it seems to be working, particularly with reduced construction schedules, which is what our mission is, after all, is to move people into safe, secure facilities as quickly as we can.

These are two risk sharing items, and I think we're new to this, and so, we're still at the learning stages, but one is in Government-provided F&F, furniture and furnishings. In the past, we would buy the furniture and furnishings for a facility. We would ship the furniture and furnishings to the site, and then, we would install them.

What we were seeing is that the contractor was not really, particularly with tighter schedules, was not really having as much control over the timing of the installations and the timing of the deliveries; for instance, a typical site will have a secure storage area. It's rather small

in size. If containers come in, and they have to be put in that, then, our furniture may impede the contractor's activities.

So my recent trip out to three African posts, the feedback I got from the teams there was that fine, it seems to work. All we have to do from a contractor's side is find the people who are qualified to do the installation, and you just had one recent subcontractor who came to you. So this is something we will keep our eyes on to see how it works out.

Similar to that is the technical security systems installation. Again, instead of having our own contractor design, buy, and install the technical security systems, we felt that we could share this risk with the builder so that they had sort of control over their temporary systems, so they could move it as they needed, as their sequence changed on the site, and the same with the permanent security systems.

Our initial assessment is that maybe we need to do a little bit more of the design so we

take that issue off, take that back and give just the procurement and installation of the systems, but again, that is new.

The final one that's coming, and this is on the horizon; I'm not sure if any of my colleagues will speak to this today, but I'll throw this out just since we're talking risk, and this is really going a long way. This is what I will call the fit-out, fixed-shell core design, where instead of having a space requirements program, a building net program, a gross, and letting the design builder try to figure out how they all fit together, we're looking to almost look at a building size. It's an existing building type. And we will fit into that these space requirements, the program that is needed to have that functional.

This is new. Jay's folks are working on this with Bill's and Elaine's folks, so we think that maybe in '06, we will be rolling something out which will take a little bit of the risk of having a lot of words that a design builder has to deal with in a very short period of time and put into

the design that we really are looking for.

So that would conclude my comments on what the Government is doing, and I would be happy to take any questions or to turn it over to my colleagues from A to Z, I see.

[Laughter.]

GENERAL WILLIAMS: Well, I thank you, Joe.

I think the way this would be the most effective, let's get some response to Joe's presentation, and then, we will hear the industry side, and we will do likewise for the industry side.

We are talking about risk, and just to help you along, Joe has indicated sort of two lanes that we are looking at. One is process and the other is products and using all this to try to help share the risk. A good idea that came from Todd, one of our members, was this geotech question, and we prepared to just take that one on. We procure the site, and we ought to know something about the constituency of the soil and what is in the ground.

The other one that he dealt with was some

ongoing processes that we have, the two roundtables where industry is a part of that and the integration of lessons learned and all of that.

And so, that's a shot where industry can put other pieces of risk in that maybe all of us have missed through this lesson learned process. And what is in place that I think and designed to work well, and Bill Miner will be in a position to talk further to it, but the integrated design review is sort of where we get it finally right in terms of the expectations about what we want built.

Then, the new part was the conference calls, where once again, this is sort of policing the pieces that may have fallen through the cracks. And then, of course, from a product point of view, the Government-purchased material, he talked about that; the advantages of taking some risk away about these forced entry products. Then, of course, the introducing the furniture side of that, which we are still fleshing out and then a little bit about the security.

So what is your view about that? Panel?

Yes, Mike?

MR. DECHIARA: Yes, if you could collaborate more on what sounds like essentially Government prototypes for the design, so it sounds like part of what the approach is is going to be a more fleshed out design on the design build side before the design builders take over. Did I hear that right?

MR. TOUSSAINT: That was my last point, right?

MR. DECHIARA: Yes.

MR. TOUSSAINT: New horizons?

MR. DECHIARA: Yes.

MR. TOUSSAINT: Which, quite frankly, we haven't yet developed, so I can't give you a definitive answer on that, but one thing we do know, Mike, is that we are as much as we can define what we want--

MR. DECHIARA: Right.

MR. TOUSSAINT: --the better we will be.

MR. DECHIARA: I think it's a great idea. That's why I'm--

MR. TOUSSAINT: And we're looking at the communications areas, the post-ones, but also the actual building shell. What we have now is we have a building shell that sometimes increases by one bay just because of requirements to fit in the furniture, whereas, in fact, you could freeze the shell, loosen up some of your standards, take it as an existing building, and they use the talents of the design side to fit into that. It's still going to function.

MR. DECHIARA: Would it make sense, for instance, if you had three standards; a very large embassy, which you might need in Germany might be a lot larger than you would need in Haiti, let's say, all right? And you might have a standard design for a large embassy, which is, you know, basically, wherever you have a large embassy, you would use that; medium-sized embassy or a smaller embassy or however you want to break it up. Has any thought been given to something like that?

MR. TOUSSAINT: I think that is where we are going with this, and I don't want to get ahead

of my planning colleagues, because this is their sandbox, but we are there to support them on this. I think that is what we will end up with, and then, there will be some exceptional, some extraordinary situations, maybe one that has a very large consular workload, for instance. But it may very well be that where you have a large consular workload, you still have the basic shell for that size location.

MR. DECHIARA: I assume, then, the challenge from a design point of view would be to make that reflect the indigenous area, so you don't want to build a European-style facility in an African environment, let's say, so you have the basic core, the basic design, but then, the architect has to sort of make it fit.

MR. TOUSSAINT: Yes, and I think if you saw the slides that the General was showing--

MR. DECHIARA: Sure.

MR. TOUSSAINT: --that is what each architect does. They adapt it to the locale.

GENERAL WILLIAMS: We will not change any

of what is working for us now. We have a small, medium, and large and even a super-small standard design product, and what Joe is talking about is not changing any of that philosophy. We just want to try to get it risk-free on building configuration. We want to take all of the questions out.

Design build team, you know, what do they want here? Because we are getting some new entrants now into the program, and so, we want to deal with that part. So that is the reason he is approaching it from the shell, stabilizing the shell, and then, causing everything to fit in the shell.

MR. DECHIARA: Great idea.

GENERAL WILLIAMS: Good; are there other questions or comments about Joe's presentation?

AUDIENCE: Hampton Brown from Siemens.

The concept you're talking about is a concept the Danes were using in Saudi Arabia in 1979. And these modular units were actually built offshore and shipped in; all electrical components

were built into those shells and dropped into it. So the exterior would fade into whatever the local--so I just wanted to make a comment to that.

GENERAL WILLIAMS: Right; we know that there is very little in construction that is a new invention. So we are just trying to get, you know, our program as smart and as risk-free as possible. Thanks for that comment. Panel?

Yes, Todd?

MR. RITTENHOUSE: Just a couple of quick things. I think that the idea of these prepurchases of the glass that we talked about before and these other ideas, and I really love the concept of taking these SEDs of small, medium, and large, and the super-small and saying that's it. It's an existing building, you know? Forget the extra bay or we need three feet here or something. I think it is a great idea to shoehorn in, because we always solve problems on existing facilities, and there's no we need three more feet, let's just move the White House a little bit. We don't do that.

So it's a great idea, and I think it was well presented, and I'm happy that someone actually listened to me, and now, if they could teach my children to listen to me, you know, I really appreciate that.

[Laughter.]

GENERAL WILLIAMS: Good, Todd; thank you.

Are there other questions from panel members?

[No response.]

GENERAL WILLIAMS: Okay; let's move with the industry side now of the same notion on risk.

AUDIENCE: I have a question, I mean, a comment, Joe. One of the things that happens to us is the tenants are the wildest card in your design. In other words, when you get the building almost to certification, the tenants come in and say, well, I actually want that, or I want that, and I think that's--hopefully, that will come under control somewhat also in this new process.

MR. TOUSSAINT: May I speak to that?

Absolutely. That is our challenge, and I

see that really as, again, our challenge. We have to get it right. We're the ones who have to say no or yes to the tenants. And I was just reporting to the General when I came back from these three African posts I went to, for the first time in my memory, I had three ambassadors tell me they were happy with what they were receiving, and B, they understood that there would be no changes, even though there were lots of requests out there, because the prime mission was to get into the building and that anything that had to be changed later on, if, in fact, it had to be changed was a follow on project.

And that's where we need to get with the tenants, and we are working towards that, I think. We're seeing it starts at our first meeting and planning.

GENERAL WILLIAMS: But, Suman, the OBO mantra and position today is that we do not entertain any change, any change, that will cause the project to be--the schedule to be tampered with or cost or anything like that. So it is a piece of

discipline that we have put into the program, and obviously, when we got started, we were not quite there, but today, that is the mantra. Okay; Joel or Mary?

MR. ZINGESER: Well, this is very unfair. I'm 63 years old; my name begins with Z, and I am used to going last, not first.

[Laughter.]

MR. ZINGESER: Let me say first of all, again, it's a great pleasure to be here and be part of this panel. I've been here also along with the Dean from the beginning.

GENERAL WILLIAMS: That is right.

MR. ZINGESER: And to think of what has been accomplished over the last several years is just remarkable for any organization, let alone a Government organization. Since it is my last meeting, you can't fire me, so--

[Laughter.]

GENERAL WILLIAMS: Okay; Joel, but I can recall you.

[Laughter.]

MR. ZINGESER: And I will also confirm that it is all about the lunch.

GENERAL WILLIAMS: Okay.

[Laughter.]

GENERAL WILLIAMS: Okay; secrets now.

MR. ZINGESER: I usually make statements and then apologize for making long speeches at the end, so now, I will apologize at the beginning for making a long speech.

This question is one that for the contractors, the design builders, is paramount. And so, I've done a little bit of homework with some of the folks who have been involved with the program and tried to get a sense of how they view this issue. In our discussions, it seemed clear to me, first of all, and in some of the things I've heard today from Joe are absolutely ideas that are moving in the right direction, and it seems that a lot of the focus has been and rightfully so on the risks associated with the program from the owner's point of view up to the point where the contractor then takes over.

And then, there are a lot of other risks that the contractors are involved with. But let me start sort of by saying a couple of things that I think are important for all of us in context, and if you will forgive me, I am going to look at my notes, and you have known me for long enough to know that I don't usually have anything prepared; I usually just flap my lips, but I will try to do a little bit better this time.

But the program is part of a significant industrywide evolution from traditional design build or design-bid-build to design build or integrated services. And as a process--using that process of procuring buildings. It is further complicated, if you will, in a way, by the inclusion of the standard embassy design, which is itself evolving. And the design build process, I should have said, if I didn't, is an evolutionary process.

So we've got this evolutionary process of design build, and now, we've got this standard design, which is evolving. You've heard another

evolution that's being talked about now. We've also had over the past several years OBO and its evolution as an organization, its creation, really, and then evolution.

So that's evolving in its management and structure. And then, the whole thing is magnified; this whole ball that's evolving and evolving and evolving is magnified even further because this work is of such high priority. It is all located overseas. There are significant special parameters that we've talked about somewhat in terms of security and programs. And also, we have been involved in a very dynamic international construction economy.

So we've got this evolutionary set of occurrences in a highly visible, highly dynamic world. The basic movement from design-bid-build to design build is all about risk allocation. I mean, my friends at the Navy and at the Corps and other places are tired of hearing my history of how we got into design build, and probably Greg, maybe, for that matter as well.

But for me, the reason that it all moved very quickly in the Government was all about money and procurements. The money was coming later and later and later in the fiscal year. The procurement folks were given this opportunity to do one procurement instead of two, and they could get the money out the door. So it made sense, design build, and then, you know, everything started evolving from that. But in so doing, the risk is dumped.

And the other thing you've heard me say for four or five years is that as an owner, to manage a design build project is more complicated than design-bid-build, because you have to be able to define clearly what it is that you want. If you can't define what you want, you're heading down a road for change, unclarity, and so forth.

The OBO key words that you've said many times are performance, accountability, discipline, and then, all within a realm of communication and transparency. Those things are critical to this process and this whole idea of risk allocation and

risk sharing. So we need to keep that in mind.

If there was ever a program that lent itself to an environment of partnership, of working together, this is it, for all the reasons that I've touched on in terms of the evolution and the complexities of what we're trying to do. And it is we. Everybody in this room is here because you're involved in some way in this program. It's not just the people at this table or the OBO folks.

So the key to this program and its future, in my opinion, is where do we go from here in the discipline and in the credibility phase that we're in with communications, accountability, and partnership, working together? Now, the rest of what I have to say, I have to do this in a way that I don't sound like a typical, whining, crying contractor, so hopefully, I won't, but there are issues that the contractors, design builders, have expressed to me that are, again, part of the evolution and where we need to go with the program.

The overarching concern that I'm hearing is that the Government's position in administering

these contracts is harsh. That's the term that I heard from more than one person, that it's not, quote, fair, or businesslike, and the specifics really have to do with this issue of communication and sharing and getting together and getting on the same page.

Now, what Joe just talked about to me is key and paramount: the idea of having conference calls, which is what you need to have, because everybody is not in the same place, but working on issues as they arise so that we can keep the scope, keep the schedule, hold the dollars, and get the quality. Now, that's a difficult environment, because when something occurs, because when something occurs that is different than what we anticipated, which is often what the issue is about, then, one or the other has to give.

What you, sir, have been doing and have been succeeding in doing is getting results by holding, by holding as firm as you can on every front. And you know what? In the end, that has been a blessing, because otherwise, if you're not

really holding, the individual programs or the individual projects aren't going to get where they need to get. But having said that, there's still a need to sort of work the issues.

Now, the specifics, which I will sort of rattle off, are issues of the answer being no before the issue gets discussed. Difficult situation. Requests for equitable adjustment which, to us contractors, is the beginning of the dialogue, are returned from the contracting officer done; there's no discussion. So instead of being a trigger for a discussion, it's a closed event before it even can be broached.

The result of this, and this is where, again, I don't want to overstate it, but I think it's something everybody needs to think about is are we leading to a claims-based relationship? That is not the world that the contractors today are working in for the most part.

The world we're working in is a best value world. We need at the end of the day references from you for our next job. We need you to say

we're doing a great job, so we're trying for, I think, as an industry, to do the best we can and get there and get that reference at the end of the day. Claims-based contractors are not going to be successful in this world, my opinion.

There are some statements from some that some of the increase in costs that you've been seeing are not just related to increased prices of materials and so forth but related to the business environment. That's a serious matter. There's some people who have indicated that they will not participate in the program going forward unless they see some changes. I think we're hearing about some changes, so I'm hopeful that that can happen.

And then, the bottom line is, and I'm hearing this from designers as well as the contractors on the team, and that is that we are working in strictly a low bid environment, that it's not a best value environment. Now, all of this, as I said, you may want to fire me, but all of this sort of bad news isn't necessarily bad news. It's what this panel is about. It's what I

think your interest is in hearing from the community, and again, in recognition that the program is evolving.

I think Joe has already pointed to some ideas that can help move this among. Another one that I have that I've seen work very well, I started this by talking about partnering. I don't care if there's partnering with formal meetings and all of that stuff; everybody signs, and you wave the flag. To me, that's not important.

What matters is the real relationship, the honesty, the credibility. And what we have done in many projects, almost routinely, is establish that any issue that gets raised at the lowest level has three days to get resolved or progress made if not resolved. The two parties, the owner and the contractor, working at the lowest level, if that's not moving forward in three days, it goes up a level, and that may be from the field to headquarters.

You got about a week at headquarters to make progress, and if that doesn't get it solved,

then, the owner of the company and General Williams get to talk. No one wants the owner of the company and General Williams talking. So usually, these things get solved. That sort of step process might be something else that you might want to consider.

Again, I apologize for making a speech, I've thrown some things out that some people may take issue with. You asked the question. You got an answer. I think it's absolutely a solvable problem. And to the extent I sound like a whining contractor, I apologize.

GENERAL WILLIAMS: Well, let me respond to Joel first.

[Laughter.]

GENERAL WILLIAMS: Joel has been a member of the panel for, beginning now, five years, because he went off; he was recalled, and he was recalled back because he has always dealt straight and tell us.

But, you know, this is not about trying to present anything other than what's there. The fact that there are some things that he has mentioned,

not all bad. And it's not to be taken in that context, and I clearly do not take it in the context. You know, I have been one of these people that he's talking about. I understand all the chatter and everything that takes place.

But the important thing, he said three or four different things that I think is paramount and the real core of what we're trying to do here, and that is there is no choice but to achieve results. There is no choice but to be sensitive to schedule. There is no choice but to be accountable and to perform and to maintain credibility and to discipline the process. That is what is really important.

The matters that he spoke about are solvable, and you do that through issues that we're working with here. So Joel, I appreciate you being open with that, and that's the whole framework of the panel. You know that it is no issue for me. You know that personally. Okay; Mary?

MS. ANDERSON: Yes, sir; well, first, may I start to say thank you--

GENERAL WILLIAMS: Thank you.

MS. ANDERSON: --for having me here. It's always a pleasure, and it's very interesting, especially this issue. I reached out to the SAME community, and I spoke with contractors that are in this industries and contractors that are in design build, not involved in your program; architects, attorneys, and other Government agencies.

And a lot of what I heard and some of what I heard echoes with what Joel was saying, and this is actually a good segue for me, because my question, to come back to the people in the different areas that I spoke to was, well, what do you recommend? What have you seen in your process, or what do you recommend for certain steps to be taken? And I actually got kind of down in the weeds with them with some of the experiences they have had and some of the suggestions and recommendations and feedback.

But I also wanted to start, I guess, with the first point about the geotechnical investigation, and I spoke to architects that

overwhelmingly, it's a very positive response. Architects told me, and I have to refer to my notes, because I have eight pages of them, that the full geotechnical investigation and foundation design recommendations will help reduce the number of changed conditions on the IPR site utilization drawing.

Contractor takes the risk if it moves the building from a place where there was no fill to the place where there is fill. Then, it's the contractor's risk. It's good that the program has moved to having U.S.-based firms involved in the IPR.

From a general contractor not in the OBO market, he said yes, we appreciate the fact that an owner does their due diligence in DB and turns over the geotech and all environmental assessments early in the game. These areas are difficult to price without and balloons risk and contingency. We have also seen owners who award a package just for that investigation and then take pricing once the information is processed.

And again, from the architecture community, that they need the accurate and reliable information before they start their design; and the more up front in the IPR, the better, so overwhelmingly positive across the board.

In some areas, there were also some suggestions as to where in the process, before, during and after, and what types of steps can we examine to consider? And one of the--several up front related suggestions were made, and one would be the quality of standards and equipment and perhaps examining the local country or area standards and equipment to see if there's equivalency that can be met rather than having all specific U.S. equipment.

There are--and that is something that could be done in the IPR phase by the architect and/or at whatever stage. But it's been strongly recommended that you examine the possibility of that.

And these are all steps that also--and I know we will get into the timing of the project,

but if we can take certain steps that will assist with timing and delays, then, we're meeting those goals of the project delivery.

And then, with one contractor, in talking about the timing, you know, what--and there's a discussion about the 24 months, is there a better time, and it's all different, and all of your emphases have all of your challenges, but this also echoes what Joel had said. One of the contractors told me that the submittal process currently in place does not reflect the schedule driven project, and the current process puts the contractors at risk for something they have no control over, and the administrative process does not work to support the schedule driven process, so that was a suggestion.

And I know Joe and I had talked about some of these also, but another one was with the cleared labor requirement, and currently, contractors are having cleared U.S. craftsmen to hang stone or work on the roof. And it's recommended to examine whether or not you can allow the contractors to

have the CSTs in their scope for certain labor categories.

A lot of discussion, and it was prevalent throughout contractors, designers, engineers, even the attorneys, that really, having the designer more involved, either early on, either--even so much as with the--it was suggested with the site utilization response by the contractor, that because they currently give a general description of what they may propose in the site utilization plan but currently don't give a drawing to that, and it was suggested to consider have that in the package.

It was understood that this will be a burden and onerous to the contractor team and also to the Government to have the resources to evaluate that. Another design-related activity could be to look at the level, what you're doing for your chem-bio-MEP protection. The new air handling system is a huge criteria, and this may have changed. But at the time, it was my understanding that there is only one provider for that system and

that that drives the price in the schedule, and is it worthwhile to examine whether or not we can look at what other options there are?

There was also discussion about the SED design changes and that one comment was that if when we make these changes, and we reissue the SED, and it's discussed that that changes will be forthcoming but to flag these changes in the RFP document, just make it very clear up front.

Another suggestion was made for the IPR team, and it kind of fits also with looking at your local country or area standards, but to have the IPR team meet with the Government at the beginning, before the RFPs are released, and conduct a risk analysis to the cost of the design build and host a workshop, if you will, between the AE and the Government and examine the delivery techniques, and this also touches on what Joe was saying before, that look at, well, fabrication issues off site, control materials, and security and kind of brainstorm and just examine what types of these processes can be considered.

Also, there was discussion of an equivalency inspect system conversant between English and the host country, and that would have some benefit, and that also could be part of the IPR. So it's very consistent with the suggestions of having more involved up front and also more involved with the designer. And I think you've already discussed that you do actually conduct a postmortem of the projects, each one as they occur, and look at all your cost deltas and kind of evaluating the different projects and see where they came in with the different costs.

I have about four more pages, do you want me--

GENERAL WILLIAMS: No, go ahead.

[Laughter.]

MS. ANDERSON: It's really kind of all over, and I really have to tell you, I was just so grateful of the community to respond with the information, emails and phone calls, and I think they really were very helpful in helping me understand risk a lot better.

And then, once again, back to design: also prevalent was the commitment of the level of design up front. OBO currently takes it to 10 to 15 percent. One of the architects who works with the Army and Navy said their design build, they take it to 35 percent, and they quote the Army as including blocking and stacking, and everyone, I think the designers, the contractors, the blocking and stacking has been brought up across the board.

Building elevations, floor plans, site specific elevations and systems and more technical detail up front. With the Navy, NAVFAC Washington, they said how far we take the design build may vary from project to project, depending upon complexity, comfort level of client, time factor, et cetera. Presently, the preferred method is to perform a pure form of design build, where we provide client programming documents, blocking and stacking sketches, bubble diagrams, room data sheets along with general subscriptive materials, system requirements, other requirements or existing conditions. Other times, the projects may take the

programming information to a schematic level.

So that was pretty prevalent across the community, to look at that and also look at certain areas that can be completely designed, as you were talking about with security or something of that nature and included in the package.

Another area that came up, and Joe had asked me if I had had any feedback about this, was the self insurance program. And I found one contractor who said that they had used it, and they are not in the market, and they use the CCIP, which is the contractor-provided, and it basically reduces the redundancy of having your subcontractors double-insured.

But in speaking with an attorney, he said that not only with the insurance, he's also seen in industry with the bonding, either with the contractor-provided or the owner-provided, so that once again, you don't have the redundancy in that, and so that at some point, it may be worthwhile to examine that possibility.

He also--and Craig probably will

appreciate hearing this--that the incentive fees came up, and this came up not only from a general contractor but from an attorney, and with a general contractor, we have entered into a fixed price target contract with an incentive fee. This puts all of the fee in an award fee pool to be awarded based only on performance and measured against criteria defined in the contract.

And other suggestions were made not only just for incentives but to also include line items, Government-defined costs and line items, where you can have allowances and that if they come in under certain allowances for line items, and he says normally, it's for work products, but it can be for indirects such as security, and if those costs come in less than that, then, the Government shares the risk, and then, it shares the excess, and if it comes in over, there's a sharing of that as well, but at least it keeps the bidding consistent.

Again, dispute resolution, that was also a topic that was brought up quite frequently, and to develop a procedure for the dispute resolution.

Private community and the one attorney that I spoke with, he works with groups that have dispute resolution boards, and they have different ways that you can staff these with the equal parties being represented or just have a firm dispute resolution process, that if it's not resolved within a certain amount of time, it goes to the next level, just exactly what Joel was saying.

And another topic that was brought up that actually I found quite pertinent to some of your projects was to look at having adverse weather condition statements in your--perhaps even in your IPR, to look at best to identify the criteria early on rather than later in the time and define what is being assumed for the project, and if there are adverse weather conditions that are significantly different from that then know up front how that would be impacting the project.

And his final comment to me is that, you know, the contractors, the community needs to make a profit, and true partnering is to have a good relationship, and good fences make good neighbors,

and good contracts make good contracting parties. Invest in incentives rather than punishments.

GENERAL WILLIAMS: Okay; thank you, Mary. You know, I can cut through the contractor whine piece and get to the--

[Laughter.]

GENERAL WILLIAMS: It's good about being in this. You've picked up some good points which we will clearly incorporate in our new rollout for this.

And, you know, you probably wouldn't find another Government official who would expose themselves to a question like this, but I want to make certain that we are getting every single thing that we can get. So, and, you know, I understand enough about the business to know when you have made a point, and because this is a process that is evolving.

Those that have been with us for four years have seen where we have worked toward, and we have gotten that together, and we are going to still listen very attentively to our partner. We

still have a good marriage, and we want to keep that going well. And so, that's our whole purpose for reaching out this way.

So I just want to put all of what you have presented into the proper context of digesting, and so, we know how to deal with that. Are there any questions or comments from you, Joe? Well, I have a friend over in the corner here.

Yes, sir.

AUDIENCE: Good morning. My name is Prakaresh Banawar. I'm the President of DES Build, Incorporated.

So first of all, I want to thank OBO for really encouraging small business to get to this level, which very rarely happens in the Government. And this is the only organization that has really encouraged small business to get into doing business overseas.

I appreciate everybody in this room who gave us the opportunity. But I have a small suggestion. Please bear with me if I say something that is not right, because this is the first time I

am in this meeting. When the project comes from the regional procurement office, for example, from Frankfurt, when there is a design build project in the magnitude of $5 million or whatever, in that range, when we call and ask a couple of questions, we will be told this is a--everything is local. Everything will be like you can use a local designer, and it is everything local. There is a possibility of a local contractor competing on this project.

Therefore, we start sharpening our pencil wherever possible, because we will be competing with some local contractors. And also, we go to local designers to get some prices. And then, we bid the job. When we come and start doing the presentations to OBO, the 35 percent design, they were asking questions to us that you see the requirements are not incorporated in the design. This is for construction of a warehouse and also a commissary in Katmandu.

So therefore, I really request OBO to please give some kind of attention, then, either a

completely design-bid-build will be a clear cut suggestion where the local contractors want to compete with the U.S. contractor as a joint venture, everything will be clear-cut if it is design-bid-build.

If a design build project is synopsized from the regional office, if they can give us little bit more guidance, dos and don'ts, that will really help us, and we have got into this situation in our project in Katmandu. I hope I did not say anything wrong, but this is our situation. I just wanted to bring it to the attention--

GENERAL WILLIAMS: Never says anything wrong. Thank you.

AUDIENCE: Thank you, sir.

GENERAL WILLIAMS: What I understand your issue, and it's wrapped a little bit in the regional procurement side of the house, which we will address. And I know your problem. It's a clarity issue. So not a problem at all, and I appreciate the fact that you do recognize that we open the program up to everyone, and you just have

a process issue, which we will work with you.

Thank you. Yes, S.G.?

MR. PAPADOPOULOS: Good morning, General.

GENERAL WILLIAMS: Good morning.

MR. PAPADOPOULOS: A lot of things have been said on this particular subject, on this risk allocation process, and I tend to agree with all of them and disagree with all of them at the same time.

[Laughter.]

GENERAL WILLIAMS: Right.

[Laughter.]

MR. PAPADOPOULOS: I feel it is necessary in this particular process to step back a little bit--

GENERAL WILLIAMS: Right.

MR. PAPADOPOULOS: --and look at the big picture.

GENERAL WILLIAMS: Right.

MR. PAPADOPOULOS: And the big picture here is that in order to move to a true risk allocation process, it has to be a proactive

approach as opposed to a reactive approach.

GENERAL WILLIAMS: That's right.

MR. PAPADOPOULOS: While things like unknowns such as geotechnical issues or issues of conferences and electronic meetings during the process are excellent ingredients to the risk allocation process, I think they are more reactive as opposed to proactive.

I was a little bit surprised that on your results based operations, you but the issue of credibility as last on the list after performance, accountability, and discipline, and then, there's credibility. I think credibility should be number one. Our industry, regardless of whether it is in the design or construction end of it or materials supply, what have you, is a very low profit margin industry as compared to any other type of business.

This is further aggravated by the fact of the low bid environment, or perhaps it's driven by the low bid environment that exists in delivering a particular structure or a campus. So the proactive part I would like to suggest in the process of

reallocation, that is, that credibility, that is, what Joe mentioned earlier: the honesty and the ethical behavior of the companies or the individuals that are planning to be involved be a number one issue to be evaluated and not just necessarily the low bid. I think that is one of the ingredients of what I am suggesting as a proactive approach in the process.

Thank you.

GENERAL WILLIAMS: That is very good, and S.G., I appreciate you looking at the balance, and the whole idea here is we are just pulling in ideas together, and I think this makes an apparatus better, because I know everybody sitting around on this panel wants the absolute best for our program, so that is the way I'm looking at it.

So I appreciate that balanced approach there. And let me just say a word about the arrangement of the key elements of this results base, the fact that credibility is at the very end, it just happened to be there. It's clearly not fourth. I know that this would not have gone from

where it is today, from where it was some years ago to where it is today without some kind of credibility, and I understand that completely.

So I apologize if that grabbed you in the wrong way, but it was not intended to suggest that credibility was last. Are there other questions or comments?

Yes, Craig, I haven't heard from you.

MR. UNGER: Okay; first, I would echo the others. Thank you very much again. Always a pleasure. Enjoy this opportunity, this open forum.

Also like to mention for the new members, your comments on Gina Pinzino, I will say for those that--this goes back from my days of being in Government, SES, it's always great to have someone who follows up. I'll assure the folks, if she sends you an email or a telemessage, you better reply right away, because she will not assume you got it until she hears from you, which is really good, and everybody is fast-paced and often thinking somebody else is covered, but she has done an outstanding job.

GENERAL WILLIAMS: And Craig, please tell Joel that that is not harsh.

[Laughter.]

GENERAL WILLIAMS: So he can tell his boys.

MR. UNGER: It is also, speaking of Joel, also my final meeting, and I want to preface what I was going to say with I promise I didn't save up these--

MR. ZINGESER: Wait a minute. You've got to be careful. I just got a message.

[Laughter.]

MR. ZINGESER: We're like a virus. We ain't going away.

MR. UNGER: All right; well, then--

MR. ZINGESER: I've got one more to go. Be careful.

MR. UNGER: All right; well, what I was going to preface it with was I promise I didn't save up all these candid comments that I'm going to share today on these topics with--that's code for sniveling, whining and complaining from the

industry, because these topics truly did generate some spirited discussion, evoked some emotions, and I think it's good and hopefully would love to share some of those with you today.

I, too, even back to the meeting, Lee Evey, who can't wait to assume this, I think he enjoyed the first time he subbed for me; he's asked me to be his alternate. So I may see you again in the future, so I certainly don't want to torch any bridges.

But the risk, again, defining the risk, talking about risk generically and throwing it around is easy. When you drill down to it, it's in the trenches where papers are being handed off, I get into some real feedback, too, of design build.

You know, as an owner, tremendous benefits come with design build. You get to know your firm fixed price much earlier in the process. All the errors and omissions we used to get nailed with go away, go to the design builder. The schedule is fast track. And to get all those things, like anything else in life, you got to give something

up.

Part of the perception out there, and it comes into this risk, is that OBO is--we're saying design build, but we're really strictly doing over the shoulder reviews, controlling the detail. And again, in design build, typically, you give up the detail.

And since Joel read something, I'm going to read something, too. I always like to swing the pendulum to make a point far left or far right. And my daughter, on Valentine's Day, sent me this, so it's real brief. But it's seven reasons not to mess with children. Some of you might have seen this coming around yesterday.

But it says, reason number two: a nursery teacher was observing her classroom of children while they were drawing. She would occasionally walk around to each child's work. As she got to one little girl working very diligently, she asked the girl what she was drawing. The girl replied, quote, I'm drawing God.

The teacher paused for a minute and said

but no one knows what God looks like. Without missing a beat, the little girl looked up from her drawing. The girl replied: they will in a minute.

[Laughter.]

MR. UNGER: Now, the reason I say that is that we know you're not just saying we need a place to put 400 embassy staff and some Marines and AID. You've got it defined. But somewhere back towards opening the mind for creative and innovative solutions and industry standards and picking the specialty, I will even say the comment Joe has made: even layouts, while it's good, and we see efficiencies, and we did that in the prison environment in the short term, look at your layout right now; look at it what was it five years ago, and what was it 10 years ago?

And again, it changes a whole lot. So you're awful--and you know all these projects: by the time you seek funding, preliminary planning, whatever design, and then, they're finished, that's pretty protracted, even with your fast track system. A lot changes in that time. So we're

always cautious that we have dated ourselves real soon, soon as we lay one out that the new technological advances or industry standards come along.

I had I think another comment or two with--yes, the perception of, again, that we're saying design build but we're really shifting risk, and some of the design builders out there think that the process is still linear. We totally haven't integrated those two processes, and quite frankly, some think you're not attracting the best in the industry to want to seek chase and win your work, because there is that thought that it is--selection is ultimately based on price.

So it's like constantly trying to dispel that myth; no, we say best value, we mean it, and here's proof on the transparency. You know, two out of the last five or whatever, we awarded to other than what was the low number presented.

So as Mary, I have a lot more comments that I will chime in on the other ones, but again, thank you.

GENERAL WILLIAMS: Okay; Craig, thank you very much.

You do know one of the 20 is to move to a true design build concept, meaning that we recognize that it was not a true design build, okay? But in the spirit of--

MR. UNGER: So if you want the other six of why not to mess with children, I'll share those later.

[Laughter.]

GENERAL WILLIAMS: Okay; are there any other comments?

Yes, Gary?

MR. HANEY: Thank you, General. I'd like to say that again, this is my second meeting. I'm amazed at the openness of this discussion.

GENERAL WILLIAMS: Thank you, thank you.

MR. HANEY: And looking over the 20 points, I see not only is it open, but it's meaningful.

GENERAL WILLIAMS: Right.

MR. HANEY: Because many of these points

incorporate ideas even from our last meeting.

So it's hard for all of us to donate our time to these things. It's terrible when you think you're wasting your time. So I applaud the efforts here to incorporate the comments we give you, and I appreciate the openness. On topic one, I had three comments that are brief. Point one, amidst Joel's whining, he made a very important point.

[Laughter.]

MR. HANEY: Wait until you get to my part. If you think contractors can whine, wait until you hear the architects get started.

[Laughter.]

MR. HANEY: Well, you're an architect, too, aren't you?

MR. ZINGESER: I'm a fellow of the American Institute of Architects, so I can do it in spades.

[Laughter.]

MR. HANEY: So no wonder. No wonder. I just remembered that.

GENERAL WILLIAMS: I don't know who taught

him to whine, whether it was contractors or architects.

[Laughter.]

MR. HANEY: But really, the powerful point here is that we're kind of mixing and matching.

GENERAL WILLIAMS: Right.

MR. HANEY: There are the SEDs, and then, there's design build. They're really two separate concepts that oftentimes are not supporting each other.

And my second point is I really have to say something when I hear Joe say treat this like an existing building. That kind of--I know you're trying to draw a line there, but it makes me bristle a little bit, because you're building brand new projects that we have the skill and the ability and the time to make as good as we can make them, better than a rehab or remodel.

So I think we need to be careful about the words that we use, because they might become reality. And believe me, I am not against standardization. The ordering of the windows and

the doors, the small, medium, large, I'm past all that. I see what that has to do with the real challenge at hand.

And frankly, you know, Picasso and Rembrandt painted on square, rectangular pieces of canvas with crushed pigment and oil and china bristles, and it didn't limit their creativity. And it didn't limit the range of what they did.

So it's not about standardization. But I think we need to be very careful when we make statements about treating new projects as existing buildings. Now, to bring those two points together, we've talked about risk sharing and time. The other great benefit of design build for the Government is that you can, if it's used properly, bring in what the private industry knows that you don't know, those little tricks; it's a low-profit industry, the little tricks that can make a difference.

There's where standardization works against you. If you insist on everything being standardized to the point that you can't capture

those tricks that private industry knows that allows them to survive in a profit margin world, then, you're working against yourself.

The third and final point Joel made is there are a finite number of people, architects, builders, engineers, et cetera, who are capable of doing these projects for you. There's only a certain number of them. It's not unlimited. And in many ways, while we and they compete for these projects, you also compete for them, and you do that by not only offering projects that can be profitable for them but offering them a contracting environment, the word harsh was used, rigid.

You know, if you're not careful, you will have a narrowing number of contractors and consultants who will want to be involved in your program in a very competitive world market, China, the Middle East, et cetera, rather than a broadening group which will raise your quality level.

GENERAL WILLIAMS: Okay; thank you, Gary. And I'll think about how much of yours was whining.

[Laughter.]

GENERAL WILLIAMS: Yes; okay. Yes, you want to--go ahead, Joe.

MR. TOUSSAINT: As a clarifying point, and I'll ask Bill Miner to help me on this, Gary, first, rest assured that as an architect myself, and Bill is an architect, that is a tool we use, think of it as an existing building. It's a dramatic way, and I'm glad to see it got your attention.

That's the other--the other extreme is the kit of parts approach that we used to use before, which was, quite frankly, chaotic. It lacked any kind of discipline. It was something that we as an owner were very hard pressed to deal with because we couldn't give the kind of guidance.

One of the things we can do is we can fix the major element, which is basically the building size. The talent, the design that you bring to that is whether it's the interior design side of it, whether it's the architectural details. Those things are really to focus those energies on the

final product.

And so, that's an extreme statement, think of it as a finished building. It's not a finished building, but we're trying to settle down all of the churn that we have had previously of just trying to give requirements out there which were, quite frankly, confusing and left the design build team searching for, you know, what does this mean? How do we give you what you're asking for here, and what you're asking for there? They seem to be in conflict; so--

GENERAL WILLIAMS: Okay; thank you, Joe. Bill, do you want to add to this?

MR. MINER: If I have to.

[Laughter.]

MR. MINER: The discussion here is very much like discussions we have in the office every day between the architects and the builders and the security people and the interior people and the funding people, and it's clearly a dilemma of conflicting very high ideals.

And I work to the General's high ideals

for most of the day, but I do express opinions that cross the gamut, as you've done here. If there's only one thread that I've gotten out of this morning's session and that I've heard at our roundtables and at our meetings at the coffee pots in the office is that there tends to be more discussion about the return to design-bid-build.

We heard the gentleman from Des Built [ph] come out and just say that. We've heard other people allude to it in terms of, well, give us the geotech solution. And others are saying more definition, more description, be more specific.

To me, that says they want more design up front. Let's not stop at 10. Let's go to 30. So that's the issue. We have admitted that we do not do orthodox design build. I'm not sure anybody does. But there's clearly a tendency now to want to drift back to a design-bid-build solution. So that high ideal has to be sort of analyzed against the other high ideal of an accelerated program to move people out of harm's way in a quick manner, and they're contradictory.

That's really a lot of what we're talking about here today, I think.

GENERAL WILLIAMS: Good way to put it.

Yes, Mike?

MR. DECHIARA: I feel strange as the only lawyer sitting here to be discussing some of these issues, but the first question I have is are we losing quality contractors? And I don't know the answer. I assume you do.

From an owner's perspective, and I'll put on an ownership hat, what I'm hearing today is very encouraging, because what I'm hearing is that there has been a lot of discipline imposed on this process. And, you know, discipline comes with some positives. You have certainty in terms of schedule and in terms of cost, and given what the program here is, which is to get people in the Department of State out of harm's way, that is job one. That is critical.

The down side, of course, is that you lose creativity, and you lose great design, and we're not going to have great design; okay, that's the

price you pay. However, from a construction lawyer's perspective, what you gain as the owner is less opportunity for delay, less opportunity for uncertainty. I think in the end, what struck me, we went through whatever the golden rules are here, the one to me of paramount importance isn't even credibility, frankly, it's fairness.

And I think if people feel on the contracting side that in the end, they're being treated fairly, you will continue to attract the quality people regardless of what the issues are.

GENERAL WILLIAMS: Thank you.

Todd?

MR. RITTENHOUSE: Thanks.

You know, here, we are here to represent industry, not ourselves, not our firms, not our personal interests. And a couple of the comments that we need to keep in mind: I think design build has been great, and my firm has done well by it, our industry has done well by it.

You know, we have mentioned before that we need to keep some diversity into who gets those.

But I also have to put in a pitch for keeping the design-bid-build process alive. In our firm, we take low profit jobs, moderate profit jobs, and some higher profit jobs, and we tend to use the reasoning that we can use the higher profit jobs to fund some of the lower profit jobs, that perhaps they're not--even not for profit projects.

And so, I think there has been a process of trying to have at least one design-bid-build project a year, and I don't want to get so focused on design build. I think that there can be a lot of creativity and a lot of fun for all involved--it doesn't have to be high priced--if we keep those design-bid-build projects alive.

You've awarded some of them. Some of them have gone on hold; hope they come back and stuff like that. But I think it is very important. This is not a design build conference. It's about what's best for the industry and what's the best for the Government. And so, I say, you know, keep that design-bid-build projects alive. Maybe consider two in a three year period instead of one

a year; hopefully, the ones that have been put on hold come back to whoever won them.

But I just want to state, you know, I like design build. We've done well in design build as an industry. Let's not forget about the design-bid-build to keep some creativity and some nice buildings.

GENERAL WILLIAMS: Okay; what we are going to do now, we have worked number one enough, because we have four more to go, and I will agree with Todd up here that this was not designed to look at delivery concepts.

You know, we have had a lot of discussions about design build versus design-bid-build and the advantages and so on. There is no, and I have been after this industry for a lot of years, as most of you know. There is no perfect anything. And I'm waiting for that person to bring out that perfect situation.

What we are trying to do is to recognize, number one, and someone said it better than I can, that the program, go back and figure out what the

mission is. The mission we got was a piece of government that had a real difficult situation. We had 197 dysfunctional, unsafe buildings that there had been a lot written about. A lot of people in industry had written about those. These 197 buildings, facilities, did not meet security or safety or functionality requirements.

So we had to move and put a program in place that attacked this very quickly. So speed, we're going to always have, as long as we are under this leadership. Schedule, we will always be sensitive to. And the best delivery method now to do the wholesome part of that is design build, and we will take, you know, the counsel and all of that from the other.

We do try to tee up about two or so design-bid-builds a year. We plan them that way. Sometimes, they get through the system; sometimes, they do not. But that's our mission. And, you know, I am very close to the--I keep a close ear to industry and know what your thinking is, and we appreciate that.

And this morning has been absolutely wonderful. We will take a lot of nuggets away from this number one. I know that risk is the issue. Risk links to profit, risk links to tomorrow, and so on. That's the reason I laid it out. So the first lollipop should be passed out this morning to the notion of really putting this on the table, because these are topics you don't talk about.

But what we are trying to do now is to get as close as we can to improve the process, knowing that we will never get perfect, and knowing that the program focus has got to stay in place. It was never intended to go out and become the design owner of the year, to win all of the awards.

If we can pick up an award during the process of keeping our people safe and getting the building up and functioning that has the right biochem system on it and has the right piece of security and the right doors, and they work, and all of that, then, that's okay. But we have to keep things in focus.

And one day, when we sunset this program,

then, I think we can sit back then and say look, we rode this design build method fast track to get us out of the hole, because that 197 was not--was below the ground. We don't get even in the business until we build another 132, and that is what we are rolling real fast on.

So that momentum is moving. They work, and they work very well for the purpose that they are intended, and quite frankly, you saw many of these, and I would invite you to go out and look around. I think you will be real pleased as an American to see that these are quite suitable in Katmandu.

It's not Paris. It's not Rome. It's not Prague, and that was not the intent. The Londons and the Pragues and the Romes are all out there, and we can all go look at those and feel very proud of the trophy. But we are not after the trophy in Katmandu. What we want is a facility that functions, that makes our people safe, that presents America right, and it can serve as transformational diplomacy for the U.S. Government.

That's what the charge is. And so, I think you all understand that, and that's where we are.

Yes.

MR. ZINGESER: Just one thing that I want to make sure no one misunderstood anything I said. There was no hue and cry that this program was failing, that this program is not successful, that this program is not all that we've talked about it being. The most important thing is that it is a program in progress. It's evolutionary, and we're evolving together on the industry side and on the Government side. And it's that risk sharing, recognition, business relationship that we need to just keep working.

GENERAL WILLIAMS: Right, and you know I know that, so that's--okay, I was just sort of summarizing, because we have a lot of visitors here, and they might not know--might take the wrong impression.

Okay; this has been very good, and what we are going to do now, we are going to attempt to get started on 2. We are going to have to stop in

about 20 minutes. But I think we can at least introduce it. And this is avoid adding nontraditional scopes of work to the general contractor's design build team. That's Craig and Will Colston and others.

So Bill, do you want to start off, William?

MR. COLSTON: Yes, sir.

I think first opportunity to confuse everybody, because in project execution, we have at least three Bills and Wills, so that--

[Laughter.]

MR. COLSTON: --I'm the Will of the Bills.

[Laughter.]

MR. COLSTON: So welcome everybody; thank you, General, for introducing me.

GENERAL WILLIAMS: Okay.

MR. COLSTON: It's a pleasure to come speak to you today about item number two, and I had the opportunity to speak with my counterparts on this topic, and it is an interesting and exciting topic, and I think it will also generate some

lively discussion, particularly based on the context of what was said on item number one.

Part of my goal in speaking to it is to, number one, introduce you to what we're doing in OBO. I think you've heard some of it, so I'm going to curtail some of what I have to say, particularly since I think you've got the 1,000-yard view of lunch coming at you, particularly those of you who get a free lunch.

But the other part of it is to spawn some discussion, to target and look for those opportunities where we can improve our business approaches. And you know, as I sat back, and I looked at some of those, one of the things that crossed my mind is you read these self help books, whether they be leadership books or time management books, and every time you read these things, you look at them and go aha; well, that was intuitively obvious. I knew that. So I think today, we'll see some of that.

But then, there's those other things that kind of push you into or I should say push you out

of the comfort zone. And I know, having worked for the General now for over two and a half years, there's nothing about the comfort zone that he doesn't mind pushing into. I know some of the discussion today, some of the items raised, had people shifting in their seats as you looked across the room.

So this is good. It's good discussion. It's things that we really need to put out on the table that we really need to confront, and we really need to look for opportunities to improve. So I encourage that, and I encourage that to continue.

But one of the other things as I spoke to my counterparts, spoke to my colleagues, about avoiding adding nontraditional scope to design build is that you will see, even though it's one of 20, there is a lot of interrelationship and connectivity to all of these items. And so, I may touch very briefly on them, but I will attempt to leave the specific discussions to those who have been assigned to those areas.

But in specifics on this item, I see it coming down to really two areas through those discussions. The first one is how we document requirements; and then, the second one is what these requirements are. And so, I'll talk to those in basically that format.

I think the first one really ties itself to standardization. It's something we've talked about extensively today. But applying the discipline of a standard design is critical to assuring that we have established a baseline that everyone understands. And I think that baseline establishes what is traditional and what is nontraditional. So whatever is inside of those requirements really tells everybody this is what we expect; we need to do it very clearly. And Joel even said it, you know: something that's different than expected, and that seems to be where some of the frustration comes.

And so, we really need to focus on that standardization, and that is both through the standard designs, so that people know what's

expected of them; so that when they go into the bidding process, if we don't have those standard documents, it really frustrates the folks. And I think we heard that with some of the comments about hey, could you highlight these changes as you evolve through design build, as you evolve the standard embassy design, so it calls it out so people know what has been introduced as we have improved on the documents, because I think as we can all relate is that things that are new, things that are unexpected are risks, as discussed in item number one.

Risk oftentimes translates into cost. It also can effectively translate into schedule. And so, we really need to be up front in addressing and defining what the scope items are. Similarly, and I'll touch on it although it is something that could potentially be taboo but also works to our benefit. Standard documents doesn't just limit itself to the scope of work but also standard contract documents.

The Federal Acquisition Regs defines very

specifically the format of our contracts. That's a standard document in and of itself. One of the things that I'm interested in hearing, and I know I asked Craig to kind of take a look at it, was to say okay, there's these other documents that are out there, contract documents, design build documents that are standard formats or templates that industry may be comfortable in seeing. And that may be something of an opportunity that we could look at from the context of formatting; another way, maybe the AIA documents, but those are things that we could potential reach out, capitalize on, and improve the process.

Another item that I'll touch on, this is the second big one, and then, I'll back off and let my fellow colleagues speak to it, but really is the issue of assigning nontraditional scope to those who are best prepared to handle it. And I'm going to hesitate somewhat with nontraditional scope, because it could very easily move into specialty contractors, and that's Bill's area, not Will's area. So I'll step back from those; I mean,

obviously, looking at cleared American workers or potentially especially contractors with security or emanations or blasts, et cetera, that's a separate area.

But the two areas I really want to highlight are rights of passage, making sure that when we have, and this goes back to other Williams 20s that will be discussed at subsequent sessions, but when we have a design builder go out and build a building, particularly the SED building, I like to think of it that they come out, and they step up to a pristine site, pristine being that all the rights of passage, that all of the other nuances that go along with it, utilities have been drawn right to the front gate. Maybe the site has been cleared. There has been some of this mitigation, site preparation that has occurred, so we can manage and mitigate some of that risk and potentially get that ahead of the curve, so that it really tees up these sites, these projects, these SEDs for the opportunity for the contractors and the U.S. Government to succeed, because something

I've heard over and over and over and over again is we succeed together, and we fail together. And so, the issue is we need to succeed, succeed through the communication and those clear definition of requirements.

The other one is something that's also somewhat of a sensitive area, and this will be my last point, is we in the Department of State, unlike any other organization I've worked in, and I've worked in the private sector, for large corporations, small companies; I've also worked in the Federal Government, other sectors of the Federal Government, but we have a legal requirement to certify and accredit our facilities. And what that effectively means in a nutshell is to say that appropriate security measures have been employed to protect our people and our facilities.

Now, this process, and I'll give a real quick snapshot of it, requires that at the 35 percent design stage, we review and then approve or certify that this design meets those requirements, the security requirements.

And one of the areas that I'd be interested in hearing, and this may be an opportunity to, again, evolve the SED but evolve it in those areas where security is related. If we can nail down and define those areas, clearly define the requirements up front, so certification occurs before we step onto the site, that may be an opportunity to further allow the design builders, the contractors, the schedulers to essentially lay out the project in the most efficient manner that they see possible.

At the same time, I'm not necessarily advocating 100 percent design on everything, because I certainly think we want to capitalize on the design builder's creativity, as Craig said, some of the innovation and their opportunity to introduce things that could drive down costs and improve efficiency.

So I think there is a--there's something to be said, as Gary talked about; what I would like to coin or boil down what Gary said is to say appropriate standardization and definition.

Now, what's appropriate is what's up for debate, and that's something that will be interesting, and I'm interested in getting your feedback on. But that really is, in a nutshell, what I've come up with in speaking with you all as well as listening today and talking to the colleagues. So I will open the floor.

GENERAL WILLIAMS: Okay; you have heard Will. Who would like to respond? No, you're responding to Will.

MR. DECHIARA: Boy, Gary, you really pick that up quick.

GENERAL WILLIAMS: Okay; well, why don't we move on the industry side, and either Craig, you or Gary, whoever wants to go first.

MR. HANEY: Get this whining over with.

[Laughter.]

MR. HANEY: I would just like to clarify somewhat in my own defense that I'm not against design build, and I'm not against standardization. I'm on board with what we're doing, and in fact, I don't even think that either of those issues

necessarily limit creativity or design quality. In fact, I think that the slides that we saw today, if I didn't know what I know about the SEDs, I wouldn't know that they're standard.

GENERAL WILLIAMS: That's right.

MR. HANEY: Right?

GENERAL WILLIAMS: That's right.

MR. HANEY: There's a tremendous, it's that canvas thing.

GENERAL WILLIAMS: Right.

MR. HANEY: You give an architect the same diagram, and you get a dozen different projects.

So what I'm trying to do is to find this appropriate level of standardization, and I'm also trying to find a way to make the design build process work better for everyone. So I think in terms of answering the question of nontraditional scope, we looked at--my firm is involved in both types of projects with the State Department, so I called my teams only about the design build process and said what is it that you guys think is different here than other design build projects

you've done?

It's a little hard to say nontraditional, because as we've identified, design build has a lot of different--but this is what they came--I'll just read them, because what you'll hear is some echoes of things already on the table. The first three were all about this blocking and stacking issue, that the reconciliation, the right-sizing and the validation of the program requirements are not what an architect would traditionally do after the design build program contract has been let. Along with that is the validation of things like the post existing equipment schedule and test fits.

There were several comments about right sizing the MEP, not only in doing that work but in the effect that it has on the space that it takes up in the building, which is out of a traditional design build environment; reconciliation of CAD files and standards with SED details; traffic studies specific to the site; and, of course, the geotechnical is one that came up often, the notion, and I think Joe is addressing that with his very

first comment today; the geotechnical information was not only insufficient, but it cripples the whole project going forward, because it's the first thing you've got to do.

On one project, we had 15 on board design review meetings after the site adaptation session. We've had to do redesigns after on-board review meetings where we had design approvals, and I think this goes to what Suman was saying: you get an approval until post sees it, and they say no, that's not going to work for me. Again, that's something that you would do in a normal process but not in a design build process.

Also, we've found that the RFP requirements were not consistently applied across the three projects, which I think you're not gaining the value of lessons learned on those three projects.

And then, finally, the process that we go through in terms of reviews and approvals for the design build program is identical to the process that we go through as architects in

design-bid-build. So again, we're not capturing what the private sector would see as the real benefits of design build.

And as we said in the last meeting, I also brought this up, I need to look at what value I can bring to this program as an architect or an engineer, and I think coming on earlier, and this variation of design build called bridging, where you take drawings to 35 percent build, mentioned that, with an architect OBO team so that you solve all of these open issues prior to going to bid.

So it may take a little more time in the front of each project, but after the bid is made, and a contractor team selected, then, you take off, and you capture all of the benefit of having all of that stuff nailed down. So it allows, it captures the best of each consultant, the AE team working with OBO can get a better set of contract documents, and then, the GC and the design build team can do what they do best, and that's build.

So that was my comment.

GENERAL WILLIAMS: Thank you. Thank you

very much.

What I would like for everyone to do now, we've had two splendid presentations. It is near noon. We do have to do one administrative matter because we want to do it at this time. Keep your notes. We have Craig Unger to speak right after we get back, and then, we will have a whole discussion about this number two.

This has been a very productive morning. At this point, I am going to ask Gina if she would come forward, and I want to do something now, because I don't want to lose anyone toward the end of the day. This is absolutely too important to not do it now. This is a small way of saying thank you for serving on our panel, and those who are departing, I want to give you a small memento from OBO.

This is a wonderful book called Building Diplomacy. It has been put together by a wonderful lady, and Todd, if you would come forward, I would like to present this to you and thank you for four years of dedication, hard work. You've been a

tremendous panelist, a good friend, and you've always provided us with something that could be helpful. And you're very candid with everything that you've done, and I appreciate your effort very much.

MR. RITTENHOUSE: Great. Thank you very much.

[Applause.]

GENERAL WILLIAMS: And to make certain that the whiners do not go away--

[Laughter.]

GENERAL WILLIAMS: --feeling that we have not done an absolute splendid job on everything that we have built, you will have this to post in your office--

MR. RITTENHOUSE: Great.

GENERAL WILLIAMS: --to show them that every single building looks different.

[Laughter.]

MR. RITTENHOUSE: Great.

[Applause.]

GENERAL WILLIAMS: Any American would feel

very proud of these, okay?

MR. RITTENHOUSE: Great; thank you very much.

GENERAL WILLIAMS: Okay; Craig Unger?

Craig has been with us for at least a couple of years. He is never bashful about speaking his point, and that's the good point about this whole panel, because when we set this up, we didn't want this to be some kind of a rubber stamp thing and all of this, and a lot of people have come in to observe the process.

We are very open and transparent. OBO has nothing to hide. We lay it all out. We are really trying to be the best Government entity to do this work around, and everyone knows this, and we don't mind hearing what is out there, because it makes us a better organization. And you have been very helpful in that regard, and I would also like to give you a copy of this wonderful book.

MR. UNGER: Thank you.

GENERAL WILLIAMS: And also, to make sure you can help me with the whiners, you can look at

this as well.

MR. UNGER: Thank you.

[Applause.]

GENERAL WILLIAMS: You guys know, don't ever come up a little short, because I use what you say to--

[Laughter.]

GENERAL WILLIAMS: Okay; Mary Ann?

Mary Ann Lewis has been with us about two years now. She comes to us from the value engineering world and has been an absolutely tremendous addition to our panel. She has really drilled down in some interesting ideas about value engineering. We have had discussions that have lasted an hour here on value engineering and also a good friend and a good supporter, and Mary Ann, I would like to pass you one of these wonderful books--

MS. LEWIS: Thank you, General.

GENERAL WILLIAMS: --and thank you for your service.

MS. LEWIS: Thank you very much.

[Applause.]

GENERAL WILLIAMS: Okay; S.G., I'm one of the few people can call him S.G. without--he's a very serious panel member. I can always call on him to put the balance in and occasionally give us a little lecture. I can recall a couple of meetings past we were sort of getting down, the panel was getting down one direction, and S.G. said he'd pull everybody back in and gave everybody a nice little crisp lecture.

And so, he's my professor of the group, and he keeps us all straight, and I appreciate your wonderful service.

MR. PAPADOPOULOS: Thank you very much, General.

[Applause.]

GENERAL WILLIAMS: I'm going to tell you something: S.G., unfortunately, experienced an accident about a year ago, and I called him up and told him that if he didn't feel well, he didn't have to really try to make a meeting. He came to a meeting actually hobbling, and he said to me that I

didn't want to miss it, and I really enjoyed this. And it registered a very sensitive spot for me, and I appreciate your service and--

MR. PAPADOPOULOS: Thank you very much for the honor.

[Applause.]

GENERAL WILLIAMS: Okay; Gina wanted to make a comment about lunch, and then, we will proceed ahead.

MS. PINZINO: Okay; if all of the OBO staff could please stand and go to the door, we have security, OBO security standing outside to assign you five members to please escort to and from the lunch area, and then, please return and stay with those members at all times. We should reconvene at 1:30.

GENERAL WILLIAMS: I want to make one point, and the reason we made these presentations now, one of our panelists may, may, because of some issues ongoing, may have to depart, and we didn't want that person not to be here at the end of the day. Otherwise, I would have done it at the ending

of the day.

Now, we do expect you all to come back, because those of you who are visiting, the panelists must come back, because I am giving them a lunch.

[Laughter.]

GENERAL WILLIAMS: And they will be with me. And that's not harsh.

[Laughter.]

GENERAL WILLIAMS: These guys should tell you, you mess around and use the wrong words, you get gripped with them.

[Laughter.]

GENERAL WILLIAMS: I remember when we first introduced discipline, and everybody was talking about that, and I found a way to really use that to my advantage.

So we will be back after this is over, and those of you who are here for the first time, please come back, because there is a chapter two to all of this, and I think you will enjoy it. So, enjoy your lunch.

[Whereupon, at 12:02 p.m., the meeting recessed for lunch, to reconvene at 1:30 p.m. this same day.]

A F T E R N O O N S E S S I O N

[1:31 p.m.]

GENERAL WILLIAMS: Okay; we're going to pick up with the finishing of Number 2. Craig will be giving his portion. We are going to go immediately into 3 and 4, and we're going to complete them all and have enough time to do our normal wrapup.

So Craig, you can continue on the nontraditional scope, and we'll have some interact about that topic, and then, we'll move right on into specialty contractors and value engineering.

Okay; Craig?

MR. UNGER: Very good; thank you.

I actually, in looking at this one, the first thing I did was have some discussion with Will and try to get a little more additional background and further clarify what the intent was. Because again, as soon as I got these, I shared them with a couple of members of the industry, some of them out there working for you now to get some feedback.

Some of the initial thoughts were, and again, we're talking about adding nontraditional scope to the work of the GC design build team. And the question came up of first, why is this a problem, adding scope from the design builder's perspective? I guess it depends on your perspective, but from a design builder, why is it a problem for them?

GENERAL WILLIAMS: Money and schedule.

MR. UNGER: I was going to say, well, that was the result. I was going to even back up and say before that, is it a problem, or what, I should say, what's causing it? Is it discipline on the owner or the end user? Is it some technological advances or some industry standards that have been changed, code or whatever? Is it some innovative opportunity that you've become alerted to? And then, of course, the next one was okay, as a result of that, is it driving schedule and cost?

And I guess one of the thoughts--I'll come back to something that Joel said earlier that ties into it, and that is, you know, this happens in

either environment. Todd is not back yet, but he wants to keep design-bid-build alive, so I don't feel--it's not fun sparring with him if he's not here yet. But I know he'll be back.

But in any event, these things occur somewhat--I know we want to minimize them, but they're going to occur in any delivery methodology out there, so I guess how we deal with them, I would certainly, if I look at the old approach of design-bid-build--here, he comes. Todd, I was just talking about you. But in any event, it was good so far.

But in any event, in the traditional, we resolve these hopefully by there are issues that come up, and we stop, and we have a negotiation session, and hopefully, we resolve it, and then, we start again. And that's the way the project went, typically throughout. Under design build, and again, trying to make that mental shift of what's fundamentally different is that design build is and should be slow up front. It should be start, stop, start, stop, trying to resolve, identify as many of

these requirements as we did under the old way. Somewhere, an architect sat and did programming or engineering with the owner to obtain 100 percent before we bid it.

So that start-stop has to occur, so that when we do get coming out of the ground, we go very, very fast. We can fast track in the field. But still, the point I was trying to make is it still occurs no matter what. Now, who do you want to deal with? When those do come up, we've typically dealt in an adversarial role with a low bid environment, and it cost us time and money and change orders.

Under hopefully a design build role, we're dealing with a team we selected on a lot of things, price certainly one of them, but a lot of other things. And I'll talk just a minute about tying this into this partnership. And I'm not talking either, as Joel said, about hiring a third party facilitator, and we all go through these team building exercises and issue resolution ladders.

Those are all good things. I'm talking

about truly changing the environment that we're working on, because we've been doing this long enough, now I would ask ourselves how much have our RFPs changed? If someone pulled one out in '01 or '02 or '03, how much have they really changed? How much have the contractors' proposals changed?

But that's all process. What I'm more or less saying on this one is how have the relationships changed, all right? Is the contractor truly looked at as an industry partner, or are they a contractor? And I think what I'm hearing from some of our members is it depends. It depends on the individual that OBO has on that project, because some incidents have come up where I'll just--submittals, where a contractor, a design builder is waiting, and the response is hey, we have 10 days or seven days.

And that's true. That's what it says. But some projects, it's we really need it. Can you turn it around? And it doesn't matter what the contract says. It will be done within 24 hours if need be, because there's truly a team esprit de

corps on that that we don't--I mean, I've come from the Government side in contracting of all things, where we were intentionally drilled in our brains, you keep an arm's distance. You do not become friendly and cozy with the contractors.

So we've went from keeping the arm's distance to now saying, hey, you're an industry partner. We're all in this boat together. We're going to be involved with issues as early as we can. We're not going to hide cards. We're going to put them on the table and be involved in the solution.

But again, as you would expect, an organization this big, some projects, and literally, some of the response I got to this was if we know this particular individual is on a project, we won't go after that one. As opposed to complexity or soils or anything else, it was we shy away from--and we all have that, and it's something that we deal with. But making the mental shift, we talk about all of the differences and wonderful things of design build. I have to--I almost wanted

to say something early on when I accepted my book and this wonderful plaque with all the pictures is I was going to say that yes, we're transparent here, that I really hate design build, but representing DBI, I've had to pretend that I've liked it all these years.

[Laughter.]

MR. UNGER: Somehow, I don't think you'd buy that.

GENERAL WILLIAMS: No.

MR. UNGER: But anyhow, looking at, you know, whether it's submittals or REAs or time impact is somehow, if we flip this over, and I've talked about it before, how we select the contractors, and they're psychic, how profitable they think they can become, and incentives don't just mean, because I've talked to a lot of other owners who say, well, gee, we think stipends and honorariums are great for the unsuccessful officers. We think award fees for doing extra work is great, but we don't get any extra money for that.

And my reaction is that we didn't either, or you could somehow think, and I don't care if it's a pilot or wherever is getting a brave design builder to put their profit or a portion of it at risk. I mean, someone who wants to achieve a high performing team can earn their profit. If there is a little more, that's fine. But if it's profit sharing, hey, we're going to really value engineers' projects throughout. We're going to give you back value, OBO, and it doesn't--somehow, if there's not an incentive to do that, why would a contractor, again, even on a design build best value, it's still firm fixed price. Why would they be incentivized to do that?

But if there were some--I'll say a wish list item. We all know when we go through the project what we want, and we end up at the end of the day with what are our real requirements? What are our needs? And what's this would be nice? And some, and Lee Evey, I'm sure, will continue with this in the future, sort of what the Pentagon did was there was an opportunity to go get--if there

truly was savings, not that the contractor is not going to make what he was, but you're able to get some of the wish list items.

And again, I'll throw that in. This could be right back now to the nontraditional scope. A good contractor that's on your team, you're going to throw more work at them. I don't think they'll care. If they think that it's going to be negotiated, fair and reasonable profit, and there's an opportunity that the scope impact, most of them want to do as much work as they possibly can.

I think it turns negative because of the relationship that you have with those particular projects, because I've tried to get--give me some detail. Even Will, we were talking, give me some. Give me low hanging fruit here. We added furniture at the end or something, but I really couldn't, even from asking my folks what's really been stuck in your craw that's been added at the last minute, it's really nothing. It says you know what? It's time. If we know it, you know, we don't mind moving drawings or making changes. It's when we're

in the field, and we've made commitments, it has an impact on their bottom line, obviously, they don't want it. And then, it is a problem.

So I think it is back more on maybe making the mental shift than it is that it's a major issue from their side. Thanks.

GENERAL WILLIAMS: Okay; Craig has clearly put some different issues on the table, and I think as we think about those and connect it with Gary and Will's presentation, they've all sort of gone after this from their own perspective.

I guess what I was trying to illuminate, was the fact that if the scope deviates from what the design build team or the design-bid-build team has contracted with us for, then, either they will take it and not be concerned, or they will take it and REA it. I can't deal with either one, because I'm coming out of the hole. Time is of the essence. We have to contractually get it done, because I have people waiting when it must be done.

And the other part of it is to have a process that is disciplined, because if we are

going to open the bounds up to the ongoing operation to be subjected to changes, you run the risk of having an uncontrollable process. So that is the reason we sort of zip the bounds, I would like to zip the bounds.

And I know that it comes from all different sources. We have senior officials at post who will approach contractors directly. We have people in our own organization who will hold low level conversations about it, maybe tell me what you want, whatever, type of thing. And all of that is getting us in potential trouble. You're right: the contractor wants more work, but he also wants money.

And what I'm trying to say is let's freeze all of that, let's discipline that and eliminate any opportunity for having these kinds of changes. Now, technological things, meeting the state-of-the-art, our train moves down the track very slowly, and it stops in a lot of stations. So if you miss us in Philadelphia, you can run fast enough and catch us in New York.

Okay; so, you catch the next train. But we cannot just stop every time, you know, something is burped out of the technological side and attempt to add it in. So it's a matter of discipline, and that's what we're getting at.

And you were very valid when you said what caused the problem. And I just sort of indicated what is sort of irritating for us, because we get it played back through, well, I was asked to add two additional rooms. I was asked to add another something here. Or--and that was not in my scope of work. No, it was not, and my question was who put it in, and why is it in? Well, some tenant said he needed more.

Well, my bottom line now with tenants is that if you want something added, we will listen to it--this is the mantra, and this is why I want you in industry to hear this, so you can help me with this when you hear anything else. If you want something else added other than what we started with at Bill Miner's IDR, because we've integrated this thing, and you around the table, okay, and

we've asked you to put everything on the table. Then, you must bring two things: well, you must bring one thing: number one, money to the table, and my contractor will have to tell me that he can work it in his 24 months, and we're good to go.

MR. UNGER: That's the process that's implemented now.

GENERAL WILLIAMS: That you just heard it. Now, you may not--you know, depending on who you touch out there, you may hear something a little different, because, you know, that doesn't digest with every bite, but I'm just telling you up front that's the OBO bottom line.

And the tenants get it. They understand it. And that's what we are working towards, because what is important to us is to get the facility open. Remember the transformational diplomacy bit I went through. The Secretary has a very difficult chore now of getting people in the right places with the right tools to do the transformational diplomacy. So we got to get some folks in Katmandu, in Nepal, because of what is

going on. I can't wait three years to put them on the ground there in a safe environment. So that's what's driving it.

Okay? Any other added juice to that?

Okay; yes, Bill?

MR. MINER: Okay; I have a comment, and I think you've summed up beautifully why we do what we do.

GENERAL WILLIAMS: Okay.

MR. MINER: But just to answer one question or clarify one issue that you brought up, and that is changes from year to year. As the General said, budget and schedule trump everything. And you can see the results.

We have a product at the end of the day that's on time, in budget, and meets the mission. But in the documents on a year-to-year basis, the scope portion of it changes a little bit too much for my comfort level and probably too much for the designers and the builders' comfort level.

GENERAL WILLIAMS: That's right.

MR. MINER: If we change anything from

year to year, it's one paragraph called the order of precedence of all of the attachments. Now, in a design-bid-build world, that's all etched in our brain, you know, the general conditions, and then, it's the specifications, and then, it's the drawings, and, you know, you could engrave it in a stone tablet.

But in design-bid-build, there's not a good universal answer to the order of precedent of attached documents. The scope of work, the space program, does that govern, or does this thick shell govern? Does the SED prototype drawings, are you supposed to follow those, or can your imagination trump that?

And that's where we spend a lot of time negotiating the scope and the order of precedence in the scope, because the time and the money is fixed.

MR. HANEY: I think that's an excellent summary.

MR. MINER: Thank you.

MR. HANEY: That is exactly right at the

heart of the problem is what is this order of precedence, and the more that you can prepare that before the bid is--the contract is let, that's the key. That's an excellent summary.

GENERAL WILLIAMS: Good.

MR. UNGER: Because again, making that distinction in the old environment under a linear, we had 100 percent DOS CDs, and then, we bid it. And it was a lot of documents, and the bid opening was kind of anticlimactic. You opened them up, and did they sign the bid? Do they acknowledge amendments? Do they have a bid bond and a price? That's it.

Under your design build now, you're getting voluminous proposals that I don't want to say trump, but certainly, there will be areas that at least we called them C&Ds, clarification and deficiencies, and it might happen two or three times, and then, a best and final offer to make sure.

That's that early part I was talking about, this up front. And it's even earlier yet,

because we've even made an award, so we know at least what the output is that we're looking at. And there will still be some, and I guess the point I was making is that when you have those, we've had projects, and again, $100 million Federal facilities where we had contractors who treated us the same way, General, and we would say you know what? We're done. There's no more changes. We don't care if we left the door out. We'll have the inmates put the door in when we get them in there. We're done with REAs and change orders. We don't care.

We've had other contractors, we've had them actually, you know, install beds and furniture if they had people on site. Again, it was hard to tell, to say how important that relationship was. And typically, it was people who weren't just teamed up for this one project. They were in for the long haul, and they were truly trying to be something other than a low bid contractor.

And with that, back to the subs who are out there dealing; most of us agree, 85 percent of

the work is done by those specialty subcontractors that have those relationships with the tenants or whoever. If they're not included, in my humble opinion, it might be in one of these next bullets coming up, but in the selection criteria and the teaming, if the mechanical, electrical, structural, and you can probably throw in a couple more, if they're not truly part, to me, of that team, then, we're missing a whole lot of what design build offers.

Because they're going to be reacting; back to the proactive, I think it was George there; the proactive versus reactive. They're going to be reacting to everything, and chances are they had to be bought out as a sub, so they gave a price. Quality and experience and past performance and all those things were of no value. You either do it for this price, or you're off the team.

Getting them involved, getting them in that bind, getting them in the sit-downs now that we're back to where--we're going back through this clarification stage; we don't understand; you're

saying something here, we don't understand how this is going to be coordinated with or how the commissioning is going to happen, whether it's HVAC or whatever, security electronics you're dealing with.

If that--and here is something, one of the actual written complaints that I got back from a specialty. It says we're not involved in that. The prime sat there with the designer, gave you a price, and then, we're getting involved, and they don't understand. They think it's a dollar, and something has to give, whether quality or what the expectations.

And I wasn't here last time; here's where I compliment Todd--I read the minutes from the last time--is that we talked a lot about managing expectations, and I really do think in design build, that's--we've hit the heart of the issue a couple of times. But that has got to be an ongoing process, both the owner's expectations and the people--go back to whoever is actually going to do the work.

So, thanks.

GENERAL WILLIAMS: Thank you.

And that piece of leadership has to come from the design build team, because it's very difficult for us to get inside of the business relationships and sort of drive what the design build team leader or leaders will say to their subs.

But to make this thing work and to have it smooth on all sides, and this is why this dialogue is very good, is that there is a piece of this for all of us to make it work, because the design build apparatus has to do and deal with these relationships, because we don't say who you should have as your sub. You bring your team to the table.

We assume that you have a relationship in place to the extent that that team member understands what you're doing. So we don't normally play heavily into that. And these are the kinds of things that hopefully we can get a little bit closer on.

You also mentioned relationships. From another point of view, we hear you. We have a Williams 20 item that deals with that. We can talk about it later on, not today but another time, where consistency with all of the owners' folks reacting the same. It may be a little personality thing you have to go through, but we have to have a project director in Lome, West Africa, with the same set of mantras about OBO's position as a project director in Beijing, China. Otherwise, it's going to send the wrong signal if you're working in both places, and that causes a little low level chatter. That's why I don't want to show up if Williams is out there. I prefer working with Toussaint, because he's a softie.

[Laughter.]

GENERAL WILLIAMS: I wanted to wake you up this afternoon.

MR. TOUSSAINT: General, I've been struggling with this question, and I realize this is sort of a public record--

GENERAL WILLIAMS: Okay.

MR. TOUSSAINT: --so I've got to be careful how I ask it, but I'm sitting here, and I picked up on the comment that you made, Craig, about if we knew that you were going to put Mr. X or Mrs. X on this job, then, we wouldn't bid it. We wouldn't want it.

You must realize that we have that same view of who the contractor puts on the job. If we put--if you put this person on the job, it's going to be a failure. And we see that occasionally. Bill can talk to it better than I can. He's closer to it.

But there's something I would be interested in knowing, how you find, how does the industry, you know, we don't want to deal with the headquarters. We don't want to deal with the home office. We want our project director in the field to build the job, and we want the contractor to put the person out there on the job that has the confidence, the trust, and the authority of his home office to deliver.

And this goes all the way through from

those original submittals, from running the meetings between us and the design build team, not sending over--Gary, don't take this the wrong way, but not sending over the subcontracting architect to a meeting, but truly take responsibility for the product and the relationship.

MR. UNGER: Hold on, Joe. I'll forget this if I don't say it.

You as an owner, and I again, I think I mentioned in previous meetings, I didn't realize until I left Justice and started seeing little bits of various municipalities and State governments and other Federal agencies some neat things that I just didn't think within the Federal Acquisition Regulation we could do that, or we had that authority, and I think someone once said, you know, if you steal from one, it's plagiarism; three or more, it's research.

[Laughter.]

MR. UNGER: So there's a lot of research out there I've gathered lately. But you control that process of who to put on or the subs. And

your selection criteria, while I agree with General Williams, there is no privity of contract, you can certainly score them now on how their performance, and during discussions, they know they scored low in mechanical that they had problems.

GENERAL WILLIAMS: Right.

MR. UNGER: But remember, and I'm defending industry; I've been on both sides in that it's like when we're kids, and you say I'm going to take my ball and glove and go home. Taking that concept further, you as the owner, you own the whole field, the stadium, the seats, the ball, the glove, the lights. You publish all the rules, and I've had a very large design builder who's told me, and he's been my client and yours too, is that you control our every behavior. Whether you know it or not, good or bad, you control how we react.

And you can influence that process tremendously, and I know you've gone through, I think it was before I joined it, you did a value engineering of your RFP, and you looked at let's look at how we're structured; what are we giving?

How are we scoring points on evaluation criteria? How are we rewarding contractors? What behavior do we want, and how are we rewarding?

And again, I'm not talking about, again, some pot of money that is going to take bricks and mortar out of your projects, but the way you structure it, there are some agencies out there that have been I don't want to say clever. They've made business decisions instead of government decisions.

So now, Joel, thanks. Sorry.

GENERAL WILLIAMS: Let me do it this way.

Mike.

MR. DECHIARA: At the pace we're going, we've got very little chance of getting to the topic that I'm supposed to be addressing later. So--

[Laughter.]

MR. DECHIARA: And frankly--

MR. UNGER: What's your point?

MR. DECHIARA: And frankly, that's not all bad.

[Laughter.]

MR. DECHIARA: But let me just make this point: in my career, I've represented major Government agencies. I've represented major contractors and major design professionals, and the program that's in place here I think has been stated pretty clearly. We have to get these things built. Most important thing is schedule and budget.

That isn't moving. Those are the two criteria that aren't going to change. And what I've been listening to for the past five hours has been pushes by the industry, well, come on, a little push here, a little push here; we need a little bit something here, more creativity, more this, more that.

What you're going to get would be perhaps and perhaps not, by the way, because I can tell you, I've litigated billions of dollars of cases that have involved value engineering, and out of the billions of dollars of those cases, I submit that there maybe is $10 million worth of real value

engineering.

But leaving that argument aside, what is being put forth here is this is the criteria. This is how it's going to be done. And as long as the Government is clear and sticks to that program, and as long as their people are consistent so it doesn't make any difference whether you get A, B, or C, then, I think the program has a good chance of succeeding.

And frankly, from a litigation point of view, you would have far less litigation if your contracts are properly structured. I think, however, I said it before; I just want to reiterate it, that has to be mixed with fairness, so that when you do have true situations where the contractor is hurt, things that were unanticipated, changed conditions that are really changed, something that makes the deal fundamentally different from what it was before, that has to be recognized by the Government, because then, I think you can impose tremendous discipline. Everybody knows what the deal is, but you have to have

fairness.

You can't have contractors, quality contractors, who, you know, are in a position where they can be severely hurt by things that nobody could have anticipated. That's really the only point that I wanted to make on that.

Thank you.

GENERAL WILLIAMS: Thank you.

Let me get Joel, and we are going to switch to the next one.

MR. ZINGESER: I will be brief.

Absolutely correct; you control the game. You set the rules. You decide what you want, you tell us what to give you. I can tell you we put in proposals for design build work where we not only name every person that you can think of who is going to be on that job; we have to get certification, and Todd can speak to this as well. We send piece of paper literally around the country to make sure that the wet ink signature is on that piece of paper for those people that are committed to that job.

You evaluate those people. You decide whether they're the people you want, and that's part of best value, which is why the low bid isn't always the only way to do.

GENERAL WILLIAMS: Good point.

MR. ZINGESER: We don't get to pick your guys, though.

GENERAL WILLIAMS: No, and it will be awhile before that happens.

[Laughter.]

GENERAL WILLIAMS: Okay; I'm just trying to keep the record straight, you know, because we have--I should tell you this, and I should have told you this morning, and it's a little too late now, but we have a very seasoned court reporter right behind me, and of course, we want these minutes accurate, so we really need a bottom line for the record. He picks it up, and it's normally associated with laughter.

[Laughter.]

GENERAL WILLIAMS: Okay; we're going to switch now to number three and move into the next

one, and S.G. and Mark and Bill is going to speak to that one.

So who wants to start first?

AUDIENCE: I'll start, sir.

GENERAL WILLIAMS: Okay.

AUDIENCE: Before I start, I want to mention one thing or go back to one thing that Joel said earlier. I'm the harsh guy.

[Laughter.]

AUDIENCE: And I bring that up only for one reason and one reason only. That isn't the word that I'm going to take back with me. What I heard was timely response and submittals that are consistent. I know the guys that are saying those things, and they're harsh guys, too.

I mean, it's not a big deal, but I wanted you to take back to them that we heard what you're saying. We're working towards that, and we're going to continue to try to be more responsive.

One thing I would ask you to take back to them, too, is tell them not to wait until the end of the job to turn in those change orders, because

that's, you know, I've got my building. I don't know if you're going to get your change order. I mean, let's talk to him up front. That's my only point, and I know these guys, and I deal with them all the time, so I wanted you to take that back with you.

What we are talking about for this is, if I'll take a moment to read it, allow specialty contractors to perform highly sensitive and special work, in parentheses, separate contract. And two things I'll emphasize: highly sensitive and specialized work. What we're trying to do is find a way to be more efficient. We break our--we package our contracts and our scopes of work in a couple of ways, and we use criteria to delineate them.

Currently, we take those portions of the work that must be done by top secret personnel and do them with a separate contractor, and we've tried and have found it to be advantageous; we are buying the FEBR, the forced-entry ballistic resistance products, and providing them. We're also buying

the furniture and providing it to the contractor. All of those things are kind of up for grabs and more.

What is a specialty contractor? You start getting into that nontraditional workload discussion, and really, we don't, clearly, if it's nontraditional, we don't want to lump that on a general contractor; it's something that they don't do naturally; why would we want to do it? We want to make them an efficient, get in quick, make it a fast and easy project, if you will.

So we have kicked around a number of ideas, to include should we lower the threshold on security and say we're just going to have a cleared American contractor do anything that requires a specialty security clearance and open the rest of the project up for everybody in the world: noncleared American, local, whatever.

Earlier, we had talked about providing a structure and having someone build it out. We've thought about whether we should just let a local contractor build the structure and have the cleared

American specialists come in and do it. We have specialty equipment in the building, furniture and FEBR products.

We also have enclosures that provide emanation protection, and we provide specialty kitchen equipment, and we provide door hardware that's unique to an office building that you wouldn't necessarily do. All of those things are on the table. We're trying to find the most efficient packaging so that we can get a contractor that has no questions. This is something they're comfortable with; this is something they know how to do; they're going to get in; they're going to do it.

Does it mean we have to provide them the security design? Does it mean I have to provide them the furniture? All of those things are what we're struggling with. I've reached out, and I appreciate the feedback I've received from my partners on this discussion, and they've had some ideas on this, and I just wanted to kind of base the discussion and leave it at that to turn over to

the table.

GENERAL WILLIAMS: Okay; S.G., you want to go next?

MR. PAPADOPOULOS: Yes; thank you. We had a very brief discussion with Bill Prior and Mark, and the reason for that is because I struggle quite a bit with this particular concept, and the reason I struggle with it is because I feel that this is what we call, mathematically, we call it an aesthetically indeterminate equation. There are more unknowns than knowns.

And specifically, trying to find a solution that is of general nature is extremely difficult and most likely will run the risk of being inappropriate. Let me--I'm going to draw from two recent examples just completed and delivered December 1, 2005, two clinics in Africa, the southern region, one in Lesotho, and one in Swaziland.

They were both started at the same time. They were both standard designs. Both of them are in two kingdoms within South Africa, very close to

each other. However, the unique thing here was faced that I'm building something, not just a structure but also the equivalent of a sensitive, the electronic--because we have telemedicine equipment, we have computers and so on, the sensitive type of systems in two very identical locations, yet with complete different external factors.

In one particular place, the contractors and the skilled personnel were available. In the other place, they were not available. So I experienced a 35 percent different price for the same thing. How do you bridge that? What do you do? And the idea is the owner always wants more efficiency. To me, more efficiency means less money, I want to spend less money on the end product.

And when you experience an increase in the budget, you have to have a decent solution. My solution was very, very simple: I asked the low guy in Swaziland how much would you charge me more to do the same job in Lesotho, and it was less than

30 percent more; so cancel one guy; give the guy--I mean, but coming to that is a little bit painful, and sometimes, you lose a little bit of time.

What I'm trying to say is that there is no easy solution to it, and the solution for every highly sensitive or special work has to be a fluid one. It has to be extremely fluid. You have to take what is your availability; either it is cleared personnel or qualified personnel or both available to do the particular work. The other item I read in this particular item is when we say special work, I don't want to tie it with sensitive.

But let me take for example concrete work. Concrete work is, in a way, a specialty work. Why can't that item be taken out and be applied to a contract if you know that locally, there are qualified concrete contractors, or there are qualified people who can frame, do the rebar, pour the concrete, get it over with without having to utilize American personnel, highly cleared, and of course, financially penalizing the project?

GENERAL WILLIAMS: Right.

MR. PAPADOPOULOS: Issues of that nature.

So in my brief discussions again, what I came away from it is, and what I would like to suggest is that we always look at this particular issue individually at every particular location and try to take advantage of any strong points that exist there to fulfill items, and I think that's the solution I would like to suggest.

GENERAL WILLIAMS: Excellent.

Mark?

MR. VISBAL: First of all, let me thank you for having me here.

GENERAL WILLIAMS: Thank you.

MR. VISBAL: And I'm not sure I'm qualified to be at this table, but let me give you what I do have.

GENERAL WILLIAMS: Okay.

MR. VISBAL: Which is very narrowly focused knowledge on security, which would definitely come underneath the highly sensitive and specialty work.

What we are witnessing is a very, very strong convergence with the world of information technology. Where we used to have separate infrastructure to support our equipment, we are now seeing, especially in the Government space, requirements that the equipment work on the local area network.

Because of the fact that we are being put into a new area, I think it's going to require a teamwork approach to implement solutions that are going to work on the IT side of the house as well. There are bandwidth considerations, and not a lot of the security personnel that are out there currently are qualified to be working with the IT departments.

So I think that in the interests of saving money, the one thing that you need to do is to have a clear understanding of what the deliverables are and what the expectations of the customer are. We at the Security Industry Association have put together a project management course for security. If you have cleared personnel, and they have some

basic knowledge of what they are trying to do as we go into this convergence, I think that clear expectations and understandings and credentialling of individuals so that you know what you're getting when you ask for that would help you.

GENERAL WILLIAMS: That's excellent, and I'm particularly intrigued by the IT lashup, because I think that's a piece that we are missing.

MR. VISBAL: Well, Homeland Presidential--

GENERAL WILLIAMS: I know.

MR. VISBAL: HSPD-12--

GENERAL WILLIAMS: Right.

MR. VISBAL: --essentially is forcing us to grow up.

GENERAL WILLIAMS: I know; that's right, because a lot of security facilities have been sort of sitting there and sort of doing their own thing without recognizing that there is a lashup to the networks and this type of thing.

Yes, we are experiencing it, too, and our folks are going through growing pains trying to understand what is going on. So I'm delighted that

you surfaced that.

MR. VISBAL: What we're doing is we're going to be sitting down with the Department of Commerce. This may be available to you, and I'll leave this with you. But this is the home study portion of the certified security project manager. I'll leave it with Bill.

GENERAL WILLIAMS: Yes, leave it with Bill, and I'll by happy to go through it. Thank you.

Now, you've heard the dialogue between Bill and Mark and George. How do you respond to these things? Each one had a little different cut on it, but we're talking about specialty kind of work. Bill sort of gave the owner's perspective. We want to open this up to look at it. We think there are some advantages there. We think we will see some of the things that Mark is talking about by doing this.

And of course, you've heard George talk about it from the standpoint of maybe we might need to expand the whole scope of what we look at:

concrete, batch plants, and all that, I mean, why does that have to be a general? That's a good question. Clearly, concrete is not their specialty. So what's your thoughts on it?

MR. CASTRO: General, I have a question which may cede some of the conversation, and doing what you like me to do, which is crosscut, reach back to a comment that Craig made on the previous question about certain things that fall into the category of process and others that fall into the category of relationship.

And I started thinking about this question on the last question when you said that, because maybe you can guide us as to where do you think the relationships are stronger between the U.S. Government and the subcontractor, because of either our size or our scale or something inherent in the owner-subcontractor relationship because we're the Government versus the strength of the relationship between the GC community and their subcontractors?

Are there certain inherent areas where--like Government-furnished equipment that

falls into, you know, our ability to bulk purchase, our ability to go straight to a supplier, a provider, or a subcontractor and that ties to something that S.G. said, George, about was it clear to me if you're trying to talk about how to compartmentalize those cleared versus uncleared components within a contract in order to find economies of scale or actually break them out as to separate contracts?

MR. PAPADOPOULOS: That's exactly what I was trying to compartmentalize those particular portions, yes. And I think once you simplify certain components, I think that's where the efficiency and the cost savings come in.

GENERAL WILLIAMS: Yes, we've done this on Baghdad.

MR. PAPADOPOULOS: Is that right?

GENERAL WILLIAMS: Yes, exactly that.

Craig, do you want to--

MR. UNGER: Yes; just a comment to add is that whether it's Government-furnished property or standalone separate specialty contracts, it's kind

of a very brief comment rather than answering your question, Bob, but I will add to that in a minute.

But the reaction that I got was from this can be a recipe for success, or it can be a recipe for failure. And it goes back to the R word we talked about, that risk analysis and how much you're willing to accept, because typically, we've all been there with Government-furnished property; it shows up late; it's the wrong model; wrong color; those are all alibis, if you will, that go right back to affect our quality, schedule, cost.

Again, it's now back to your question on the subs, and I don't know if the subcontractors--I know they have an association; they probably think I'm representing them, but I just think so highly from seeing the ones, particularly when you get to the specialty and the security electronics and some of the others, there's a very narrow field of them out there. There is a good--even though there is no privity of contract, perhaps, there's a very good relationship, and I would say that it's pretty interesting when we're all--we're kind of

vouchering out firms that want to make our short list, and typically, since the procurement process can be somewhat protracted, we are going to do past performance on the firms.

But when we get down to maybe phase two, and we're saying I want to see the key personnel, who's going to be my project, the superintendent, the project manager, the key people that are on my project, we're going to look at that and voucher.

Perhaps the best vouchering we've gotten from any of the design builders out there come from the subs. I mean, you hear a sub say hey, I will follow them; now for, us it's going to, you know, Arkansas or Oregon is big. You guys got the whole globe to go around. But we've had subs say I would go work with them again anywhere. They're fair, they're reasonable, we have an opportunity to have input, they pay us on time.

So those are all valuable feedback on the subs, again, playing into that whole big picture, but again, yes, peeling it off, I mean, it's like anything else. It's got pros; it's got cons; and

you obviously have been--do that risk analysis on each case-by-case basis.

GENERAL WILLIAMS: Okay; yes.

MR. DECHIARA: It's a funny discussion, because on the one hand, the Government is saying design builder, we're going to give you even more stuff that you can do, that can be part of your design build basket of services.

And it's sort of curious to hear that the design building side of the table is kind of saying, well, maybe we want it, maybe we don't. On the other hand, we've got the Government, who's pushing design build, saying, well, maybe we'll take back some, because maybe we'll take on some of the subcontractors.

I mean, I think we have to have real clarity, because I think you get yourself in a lot of trouble when you don't have clarity. And you have to have discipline: this is the way it's going to be; this is the program, and let's not vary from it.

Because I think a case-by-case analysis is

what you want to avoid if what the program is is to build 160-some-odd embassies as quickly as you can. It's got to be a simple program. Everybody's got to get it. They got to know what the program is. Let's get that down, and let's get the mission accomplished, and then, we can worry about sort of fine tuning it. But it's almost kind of disturbing to hear that sort of back and forth.

GENERAL WILLIAMS: Okay; let me take that point and take S.G.'s, and then, I'll summarize.

MR. PAPADOPOULOS: The point I wanted to make is on this particular question on this particular subject, this is not a sub effort, this is not a subcontract. This is a completely separate contract, and usually, these contracts carry a very high cost associated with them that do not warrant to be under a GC. That's the way I see this.

GENERAL WILLIAMS: Right.

MR. PAPADOPOULOS: It's specialty--

GENERAL WILLIAMS: Right.

MR. PAPADOPOULOS: --delicate work that

carries a very high dollar value.

MR. DECHIARA: Yes, but we're not talking about a GC. This is design build. A design builder is not a GC.

MR. PAPADOPOULOS: I'm sorry; I use the term GC as the design builder; I should be more careful; no, this is not something that should be under the design builder contractor.

MR. DECHIARA: Why?

MR. PAPADOPOULOS: Cost; strictly cost. Why should I pay the 10 and 10 plus more when I can have the specialty contractor to come in and do this thing with minimum interference with the building structure?

MR. DECHIARA: But you could use that same argument for any component of design build. The whole point of design build is you make it quicker, cheaper, and you let the design builder use their creativity to figure out how to maximize that.

And if you can do it with 90 percent of the project, why can't you do it with 95 percent or 98 percent? If design build works, it should work

with this as well.

GENERAL WILLIAMS: Well, I think the reason that's a little unfair for S.G., that's sort of ours; we put it on the table. He's trying to deal with it.

[Laughter.]

MR. DECHIARA: My profession is asking unfair questions, so--

GENERAL WILLIAMS: Let me just tell you the reason it's there. It emanates from the discussion we had this morning. I think someone said, you know, we're all over the map on this thing. We had one version here, one version there, whatever.

We want to be a Government agency that slams the door on nothing. We want to dialogue about it. I'm not saying that it's going to be the sharp right turn in the road. It's going to be right when we do it, but we're not going to slam the door.

This is an industry panel. I want to hear it all. I want to hear your views about it. Your

view definitely counts. So does his view as well. And we'll come up with the thing that fits to minimize disturbance to schedule and cost and getting out of the hole. So to us, consistency, good clarity, and not changing horses in midstream makes a lot of sense. We don't want to slam the doors. We don't want to be so iron clad that look, we won't listen to anything; we're just going to go down this road. We're sort of improving ourselves as we go along. We pick up an idea here, there. It makes our program a little bit better.

So that's the reason we're having the dialogue. It doesn't mean that OBO's mantra or program is going to turn on a dime today. It's still design build, and but also, while you made a good point for the design build team, the design build teams have told me you got too much unfamiliar stuff on my plate.

So I've got to look at that. I don't have a clue about this; I'm not a furniture guy. I'm not this; I'm not that. So I can help the design build world get over that.

So that's the reason we're dialoguing about it. This is wonderful, isn't it?

[Laughter.]

GENERAL WILLIAMS: Wonderful. Okay; now, you go--go ahead.

MR. ZINGESER: I just want to say that I think the key to this whole discussion is the definition of specialty contractors. And it's just that. There are certain specialty contractors that are integral to certain kinds of work, and they need to be included with--as part of the design build team. Otherwise, everything will get screwed up.

But other things are applied or somehow come in and are not integral, those things in the definition for those projects, they can be done separately.

GENERAL WILLIAMS: Right; okay, let's move to value engineering.

Mary Ann and Kathy.

MS. BETHANY: I'm going to roll up to the table real quick and take over.

I'm Kathy Bethany, for those who don't know me. I'm the value engineering manager here at OBO, and I do have some slides once the--once it comes up. But it's a good segue when we were talking about the specialty contractors, because value engineering is one of those specialty contractors that we've been utilizing pretty successfully.

Mary Ann and I go back quite a ways when I first started in the program, and she has been very helpful in--it's too dark; I'm sorry.

GENERAL WILLIAMS: That's good.

MS. BETHANY: I need to be able to see what I wrote.

[Laughter.]

MS. BETHANY: I'm like, uh-oh, you don't want me to go off script, I think.

So we've been discussing how to do this movement of value engineering into the planning phase of project development even before it became a Williams 20. It was one of those things that she was kind of filling me in on how other agencies do

it, and I went down to the Navy and looked at how they did it and talking to other entities, including highways and other places on how to implement value engineering in planning.

Just to refresh everybody's mind, and I'm sure that the panel probably has heard this from Mary Ann, but just so you know, we do have a policy, our program requirement is that all projects, whether they're the ones we've been talking about today or the renovation projects that some of them may still be design-bid-build, anything over $1 million must have a VE study or a waiver in place before they reach the 35 percent design or the design development stage.

That is something that we have been insisting on, and in some cases, we've been doing more than one study. We've been doing the planning study and the design study on the big projects. I never shut the door on a value engineering study, because sometimes, it's a way of taking a step back and looking to see if there's a way we can improve future projects as well.

This return on investment slide, I keep updating it, because I keep getting more information. Anybody who knows me knows I keep statistics on everything in terms of how well we've been doing on the program. It's one of the few that we can actually really get some good measurements.

As you can see here, during the planning stage, the return on investment on the design build obviously is a lot higher. This is actual dollars spent on the value engineering program versus what we've gotten back from that. Even on design-bid-build, it's a little bit higher, but you notice that curve isn't quite as sharp.

We have done 46 studies on design build and design development, and you can see that the return on investment, while it's still pretty good, I mean, I'd like to get this kind of return on my money in the stock market it could be better.

So on the next slide, just to take it even a step further, just taking a look at a subset of that, of the design build contracts, in 2004, we

had $31 million in savings. Two of those were planning studies, and they make up zero percent, and there were 19 studies in design development, and that was 100 percent of the savings.

The next slide shows 2005. We had most of our savings from the planning side, but that includes Baghdad, and it was $135 million in savings, so, you know, that could pay for a couple of projects possibly. We did 17 studies after the award, and when I say design development, this is after the award of the design build contract, and we've heard from industry that it's not working so well, and, you know, my statistics are sort of bearing that out, because once we've awarded it, as you've been saying, you don't want the change. You don't want to have to go back in and redo things. You're already placing concrete.

But in fairness, one of the things we have learned, and it was mentioned earlier, we do, I keep every VE recommendation ever made. So we're able to go back and look and do some lessons learned.

We fed into the SED in the last couple of your trying to tweak it, not change it, but tweak it to make sure that we don't have the same kinds of issues coming up again and again. Because we do this as independent, it's also a way to get some peer review into the cycle and getting some feedback as to, well, maybe you should tweak this standard a little bit.

The next slide, this is this year-to-date. Back one. I'm sorry. There you go; 2006. We had $64 million in savings so far, and 100 percent of the has come from 18 studies I've done so far in planning, and there were four in design development. This is a transition year, because we didn't have this policy of doing it in planning last year, we did not do the studies as we said in the beginning, you know, we want at least one study on each project, so there will be some projects that are still going through the value engineering process on the design development documents, because they didn't have the VE study during planning.

But this year, we've also transitioned into doing all of the '06 projects and '07 projects now, so we're doing the VE study before we award the design build contract, and we're getting some very good results.

The implementation is much easier in terms of the big ticket items such as consolidate buildings or change the construction type on a warehouse from the contract to a prefab building, things that we couldn't do after we've awarded the contract.

So now, the next slide, when we're doing the VE study on planning, we've been trying two different methods. I know that the Navy uses what they call the FACT-D process or function analysis concept development, which is equivalent to our facilitated Charette. We've tried that on a few projects, and we've also done the independent VE studies on our IPR documents or our planning documents.

I'm putting this in front of the group, but one of the things, I've started developing some

pros and cons from our planning managers and also from feedback that I'm getting from people who are working on the projects as to which process works better, and obviously, it's not going to be, you know, do this 100 percent of the time, because in some situations, it may work better with the facilitated Charette as opposed to the independent VE study, but I'm trying to learn as we move along, and that's one thing that I've been, you know, hitting Mary Ann up pretty, you know, frequently; we've met several times to talk about, well, how can we do this better?

And so these are the pros and cons that I've been coming up with. Obviously, it's going to be filling in some more. The independent study is the chance for the design community to weigh in a little bit, because we bring in an independent team of design professionals to sit on the team, and they're more willing to challenge some of our sacred cows; I put that in parentheses.

The facilitated Charette, while that's good, because you get the in-house team involved,

and you can maybe incorporate some of their recommendations, and the changes can be made a little bit more quickly, it sometimes is a little bit harder to implement that, especially the way we're doing it. I think the Navy uses a two-week process; we've been doing a three-day process, and it's a little bit harder to quantify some of the results from that process.

So I will turn it over to everybody for questions or comments or to Mary Ann to give her feedback on how we've been doing.

GENERAL WILLIAMS: Okay; Mary Ann, why don't you go ahead, and then, we will--

MS. LEWIS: Thank you, General.

GENERAL WILLIAMS: Okay.

MS. LEWIS: I was thinking that you are possibly the best champion for value engineering in the Federal Government these days. It was introduced by Robert McNamara into the Federal Government many, many years ago, but I truly don't know of anyone who understands at the highest level of an agency or Department that this is a

management tool, and you've used it effectively.

GENERAL WILLIAMS: Thank you.

MS. LEWIS: And you're a great supporter, and we thank you for that.

You know, as Kathy showed, value engineering can be applied at several stage in the planning and design process. The Navy does it to develop concepts. You're using it in planning. Others use it later on in the process.

We think of it as when you're applying it early, you're applying value engineering to do the right project. When you're applying it later, it is to do the project right, to make sure you've got the details right.

As Kathy said, when you're doing it earlier, sometimes, you can't quantify; you can't come up with hard dollar savings as easy as you can if you're doing it 35 percent, 65 percent along the design path. But frankly, we have seen over the years that the results are probably a little bit better, because you are getting the right project; you are getting communications, and you're looking

at it from an objective standpoint very early on.

As I was thinking about this, there are a couple of things that possibly need to be included in the current value engineering approach, and there are things we've been talking about today. We've discussed cost and risk. How many times have I heard those three words, you know, throughout this morning's and this afternoon's session?

And what we're doing right now is in schedule, excuse me, cost and schedule. What we're doing right now in OBO's value engineering studies are really addressing the cost elements. We haven't looked at it from a constructability perspective, and frankly, within industry, a constructability person on a value engineering study is the norm. That is where you can very early on and very objectively look at it from the contractor's perspective to say how am I going to bid and build this project? Where are my risks? How can I mitigate them?

And that's the other component, that most value engineers these days, most facilitators,

certified value specialists how to apply risk management within a very short value engineering application, where we can, during a brainstorming session, we can identify and quantify and assign risk and brainstorm to mitigate risk.

And it goes along with Joe's, you know, conversation about risk. This is an objective way to take a look at all risks early on and see if there are ways to mitigate them very early. So those are a couple of the aspects that I think that we might want to consider for future value engineering applications, whether it's early on or later on in the design process is constructability and risk applications and also to understand that by incorporating these things, two days is just not enough to really analyze these.

The Navy's FACT-D process, the function analysis concept development process, is a 10-day process. It's two weeks of hard work with the design team. The Corps of Engineers, as I mentioned during lunch, is just really getting into it now, but a minimum of five days is what they're

doing to spend time on this, because it does take time to sit down and truly analyze this from a multidisciplinary perspective, and that's what value engineering is.

GENERAL WILLIAMS: Understand; two very pointed presentations. Are there comments?

MR. DECHIARA: Yes, I've got one.

GENERAL WILLIAMS: Yes.

MR. DECHIARA: Could you just give me a succinct definition of what value engineering is?

MS. BETHANY: Sure.

MS. LEWIS: Do you want to give the standard definition?

MS. BETHANY: I'll defer to you.

MS. LEWIS: There are three things that differentiate value engineering from any other management practice in my mind. The first is that you use the analysis of functions. The second is that you perform this in a multidisciplinary format: all the disciplines of design and construction are included on the team. And the third is that it has a job plan, that there is a

step-by-step methodology that you follow, and if you follow them, you almost always get results.

MR. DECHIARA: What is the objective of value engineering?

MS. LEWIS: The objective in most cases is to reduce cost, or to increase value is another way to phrase it. It is the way to consider the project objectively and to make sure you are receiving the most benefit or the most value for the dollars expended on the project.

MR. DECHIARA: But to be able to do that on any sophisticated project would require a lot of time. I mean, for a design team--

MS. LEWIS: That's the point of the job plan. That's the point of the methodology.

MR. DECHIARA: But let me just get a--as I said before, I've had a lot of cases that started with value engineering, and people use the term, and I don't really know what the term means.

MS. LEWIS: That's right; I think it's being misused in your case.

MR. DECHIARA: Well, let me tell you what

my simple analysis has been, just based upon experience, is let's make it cheaper, okay? We've got to save some money.

And either, A, your design team overdesigned, and if they didn't overdesign, then, you are reducing the quality, because you don't get cheaper without reducing the quality, unless there's overdesign--let me finish--unless there's overdesign involved.

To put together a well designed building, and the architects and the engineers can speak to this, is a huge effort. It can take months. Some projects, it takes years. To come along in three days and to think that you're going to in some significant way get into all of the engineering assumptions and all of the architectural assumptions and maintain the same quality but simply reduce costs, I don't know how that works. That's really what I'm getting at.

MR. ZINGESER: I'm not in value engineering, but I can give you an example: existing building, bridging documents have been

created as a way of defining the program that the owner wants for this building when it's renovated. Included in that is the mechanical engineering concept. Guys from Southland just left, but they would have been great to talk to this.

MR. DECHIARA: I'm a trained mechanical engineering, so this is a good example.

MR. ZINGESER: So in this is a concept. That concept is based on some performance criteria stated in a prescriptive way with perhaps some specifications that relate to the performance and so forth.

This particular building, what they want to get is this performance. The way they've shown it is in a prescriptive way, but nobody looked at constructability. And the reality is to get the pipes in and the ducks in the way they need to go in, there's another way to do it, a different system that would cost less money, work better, and meet their goals.

That's not overdesign. Maybe it was bad design, I don't know what it was, but to me, that

was value engineering. Now, that's part of design build process. I don't care what you call it.

MR. DECHIARA: But typically, typically, a good mechanical engineer would have looked at all of those options to begin with, and they would have coordinated that with the structural engineer, and that would have been coordinated with the architecture, and that would have been all part of the plan.

Then, when you come in, and you look at that, and you say okay, it's costing whatever it is, $1 million for this mechanical system; we only have $600,000 in the budget, how do we do it? And typically, what happens isn't that example, but typically, what happens is you reduce the run of ducts; you reduce the amount of controls; you reduce the quality of the system, and now, you have a $600,000 system. But you get different performance.

MR. HANEY: To cut to the chase--

MR. DECHIARA: Yes.

MR. HANEY: --the parameter in this

example was set by judges. They were the occupants. They wanted it a certain way. They were the drivers of the decisions to do it that way. So there wasn't any really good engineering involved.

MR. DECHIARA: But that's not typical.

MR. HANEY: But the only point I'm trying to make, and otherwise, we're just going to take too much time is that--

MR. DECHIARA: That's my plan, so I don't have to--but go on.

[Laughter.]

MR. HANEY: Is that at the end of the day, what you want--to me, the key word is value. I was surprised to hear you say cost reduction, because to me, as a design builder or an architect, when I look at those processes, I'm looking for value, and value isn't necessarily just cost. It's the end performance.

MR. DECHIARA: Correct.

GENERAL WILLIAMS: Let Kathy--

MS. BETHANY: When Mary Ann was talking

about cost, it wasn't initial cost. It's life cycle cost. So there are a lot of times that we've had many recommendations that increase the initial cost--

GENERAL WILLIAMS: That's right.

MS. BETHANY: --to save the life cycle, improve the value. And quite frankly, in the design build arena right now, the design builders are doing a great job of coming in with buildings that are being built at the initial costs levels but not always coming in with life cycle.

MR. DECHIARA: Right, but design and engineering 101 is you pay more up front to get lower life cycle costs. You pay less up front, and you pay for it over time. Everybody knows that, right? I mean, that's no revolutionary idea. But you typically don't see people increasing costs with value engineering.

MS. BETHANY: Well, we have.

GENERAL WILLIAMS: Let me just--I think what we really want to do here is not get into an academic kind of a give and take on this. Congress

has mandated it; OMB has mandated it; you will do value engineering. Value engineering, to us, is about methods and means. It has nothing to do with cheap or cost reduction or whatever, but every project will be value engineered, and we are quite frankly appreciative of what has come about here; it gives us a little different direction to try to deal with it.

The problem with our whole industry, we heard some discussions this morning, and I said this up front: we cannot ever satisfy everyone's piece, because I see a good, I think S.G. said it, somebody sees a bad. So what we try to do is keep the dialogue going and just recognize, you know, we are, I think, smart enough to decipher, you know, that and can cut through it, but what we really want to do is to make certain that you recognize, we see a value, we, OBO, see a value in value engineering. That's one point.

Secondly, our vetting partners see a reason to mandate it, and we have--not that it was our objective, but we have saved some money. We

have gotten projects in the box and I don't think tampered with our specifications, our required performance levels of any of these by looking at a little different way of doing it. And that's kind of the way we've looked at it.

I respect all of the points. Just we will never get to closure around them, because we see different things.

Okay; yes?

MR. PAPADOPOULOS: Pardon me, General, but my understanding in this question was that value engineering is a given.

GENERAL WILLIAMS: Yes.

MR. PAPADOPOULOS: And the question was to move it to the planning phase, and I think that's the--

GENERAL WILLIAMS: Right.

MR. PAPADOPOULOS: --beauty about this thing is you want the value engineering to be in the planning phase.

GENERAL WILLIAMS: Right.

MR. PAPADOPOULOS: Not to question the

virtues of value engineering but its position in the process.

GENERAL WILLIAMS: Yes, that's what we're dealing with.

MR. PAPADOPOULOS: And I think what Kathy's saying is with the life cycle costs, OBO's policy about means and methods; that's where it belongs.

GENERAL WILLIAMS: Right.

MR. PAPADOPOULOS: That's where you have your biggest impact in an economical solution yet not a chip solution.

GENERAL WILLIAMS: Right, and what they were trying to say was that we could probably make it a little bit better, tighter, by adding the constructability side to it. So I think that was the message that they were trying to--am I right?

MS. BETHANY: Yes, and I can make the point: I agree with Mary Ann that we probably need to tighten up our teams or make sure they're all inclusive. We have had some constructability members on some special projects, but it might be

one of those things that I need to work with Bill to make sure that we get more of that in future projects.

GENERAL WILLIAMS: Okay; now, Michael and Todd and Bill Miner are going to tell us about design, design reviews.

MR. MINER: VE study, now that that's in the planning stage, we do still have design review in the design build stage. Michael, you have some slides you can run for us.

While those are coming up, I did notice, and I shared with Gina the fact that the Foreign Service Building Act was signed in 1926. And that was legislation that created a building office within the State Department to do what we're doing, operate the U.S. Government's facilities worldwide. And that makes OBO 80 years old come this May, and Gina is planning a party in reflection to that.

And I mention that because one of the first things that General Williams told me when he put me in this position about three years ago was that my biggest problems would not be technical or

contractual. They would be cultural.

And he was absolutely right, not only internal OBO culture but also dealing with culture in our industry, and we've been talking about some of those cultural changes.

Design reviews have been a big part of our culture, and changing our strategy and our methodology in an organization that's been doing it one way for 75 years is no easy task. The Williams 20 point is there before you. It says we must expedite design reviews, and we cannot generate requirements that add to scope without identifying funding and allowing time extensions. Very important mantra; very supportive of it.

I'm going to share with you some things we've done in the last few years to try to do that and some ideas on the end about some additional work to be done. Simply stated, the problem is, like other Federal agencies and other owners, prior to 2001 we almost exclusively delivered our building through the design-bid-build process. The design-bid-build mentality still exists to some

extent internally and externally.

In that scenario, we typically had a concept level one submission a concept level two submission, a design review at 35 percent, at 60 percent, at 100 percent, and a final design review. This was six review cycles, each lasting 21 days, which unto itself contributed four and a half months to the design phase. That is excess oversight by any measure. In addition to that, the reviews often led to modifications in scope, schedule, and budget, which is also unacceptable. Next slide.

One of many recommendations, suggestions, comments, mandates from the General to me and my colleagues was to try to use new delivery methods and new design and construction tools to reduce the design review burden. Design build helps in the design review process. Why do we review at all? From the owner's standpoint, you want to make sure that you have a biddable package. Well, if it's a design build, you are not bidding in a traditional way.

The owner also wants to make sure that he has a constructable package. If the designer and builder are one and the same, then constructability is all within one concern. So those two elements of the design review process are somewhat eliminated.

That then requires us as an owner to review, to make sure that we have a quality product that will last over time and be economic to operate and maintain, and that's primarily what we focus our attention.

To help in that, the standard embassy design contributes mightily to that. It's a preengineered prototype solution, where we try to give the design build team as many of the answers as we have or that we really fundamentally care about. In addition to that, we can one time, on one solution that's going to be site-adapted in many locations, do a very thorough design excellence analysis, using an architectural advisory board, which we used to use on every project, we now use on the standard design to make

sure that if it's a cookie cutter approach, that at the end of the day, it's a good cookie.

We have value engineering that we can do on the prototype and have the benefits and the values identified in that replicated every time that standard is used. We can make sure that our security, both technical and physical, security requirements are embedded in this preengineered solution and that other concerns, such as sustainable design, lead certification, can be obtained one time and applied to many, many projects.

We have submitted the standard design to the U.S. Green Building Council. We think it qualifies for bronze. Many of the designers, I think, will go to the silver level, and when we deliver that prototype to our design builder, that level of certification is already present. It reduces the requirement for design review to make sure that happens.

General Williams asked us to develop a concept called integrated design reviews. He knew

from his experience that one of the areas of great concern is coming to resolution, to technical, professional differences of opinion. And the Government can be harsh very often in that form. And the IDR is an attempt to partner through face-to-face meetings, and to give everybody an opportunity to clear the air, and if it has to be elevated to a higher level, we do it in a formal way.

To support this act, the General ordered the creation of something called the war room. The war room, which is now his executive conference room to some extent, was primarily built as the platform from which we would do integrated design reviews, and we do still do that to some extent. It's a multimedia room, and it supports teleconferencing. The walls are padded, and we come to agreement before we leave.

[Laughter.]

MR. MINER: Next slide.

This is the ideal--

GENERAL WILLIAMS: Do you see Mark

laughing?

MR. MINER: This is the ideal model that we have today, and it is ideal. It doesn't work quite this smoothly. We have narrowed the process down to two and a half milestones, and we use different language. When you give a design builder a preengineered prototype, the percentages don't work anymore.

Some portions of it are at 100 percent. Some segments of it are zero percent, and some fall in between. And we prefer, and we've adopted industry language, using the AIA handbook of professional practice and other associations' guidelines, we use terms like design development. Used to be what we call 60 percent and construction document submissions, and those are the only points where we require a formal submission.

Mr. Haney pointed out the fact that there's a lot of churn on those arrows. From one milestone to the other, we are experiencing a lot of on board reviews, a lot of over the shoulder reviews, more than I think we want or the

contractors want, and that's our challenge from day-to-day is to keep that to a minimum.

But the whole focus of this design review should not be the same as it was during the design-bid-build. The focus here should be to look at how the prototype has been site adapted, how it has been placed on the landscape, its orientation, its modification to finishes, to taking advantages of local skills and expertise and materials, and that's primarily what we look for and what's presented.

Next slide. About two years ago, I think I presented to the IAP the notion that we were going to totally abandon the in-house creation of guidelines, A&E design guidelines, and we've done that. We now use the International Building Code, the recently unified model building code in the U.S. that been developed by the International Code Council. We work with them frequently, and they attend this meeting. There may be a representative here today. I'm not sure.

It was a very good decision. The idea,

again, was to use what was an industry standard, to level the playing field so that all bidders and all potential bidders knew the rules and had a copy of the rulebook, and it already had something that they were using for other clients. They would not have to use new rules for us.

There were many pros to using International Building Code and some cons. I'm going to share those with you. Having a full family of integrated documents, whether mechanical, electrical, plumbing, security, and all the other disciplines are integrated and cross-referenced is invaluable. And it's very important to me that it's maintained by somebody other than me, because that's a hell of a burden, and it would strain my resources, and the expertise isn't there, and ICC makes sure that they have the best minds in industry working on this all the time. As I said, it levels the playing field from a bidding standpoint.

The cons are pretty obvious. It says it's an international building code, but that's in name

only right now. It exists only in the English language. That's a real deterrent in terms of giving it to a foreign builder or designer and asking them to use it. It also is soft metric, which is, you know, works well in the U.S., doesn't work so well in our environment, and I push, we push, ICC to sort of recognize those deficiencies, and we want to work with them to make it truly an international building code, and their affiliation with us is frankly to help them get to that point where it would have some applicability and marketability outside the U.S.

Next slide. We are also very committed to an electronic environment and move as much as possible to a paperless design submission, review, and approval process as possible. We've been able to take advantage of a lot of Web-based technology that exists readily today, has really come--has become very robust within the last two or three years.

What we call our project network is a partnership with the Civil Engineering Research

Laboratory of the Department of Defense to piggyback on a site that they have that allows us to link our local area network and reach our contractors through the World Wide Web in a secure manner. And in so doing, we now can post bid documents, we now can address, answer Q&As, requests for information using the World Wide Web. Very powerful tool.

Bill Prior's team says that on a lot of their sites, that's the only connectivity they have is to the World Wide Web, and they can get to ProjNet, and there, they can get to drawings, they can get to comments, they can get to our lessons learned environment, and this is working for us very, very well. We have training for new and existing contractors, and it's fully operational.

It works like a chat room environment now in terms of the IDR, and to a large extent, it has made the integrated design review become more of an online environment and less of a real time activity that has to happen in a war room. So I think that's very, very strong.

Next slide. A recent development in that environment is to try to leverage the technology even more and to try to provide much more discipline in the design review work that's left for us to do. We have developed a design review checklist, but it's been populated with comments and concerns that are unique to our work. So we embed in ProjNet prewritten review comments that all of the many, many design reviewers that I have go through, and they are systematically taken through this checklist.

So everybody is checking the documents the same way in the same order. They're referring to subjects and issues using the same ID numbers. We can then track and report on incidents of deficiencies on certain key issues and make sure that we tweak the RFP to make sure we clarify what's required in a certain area.

As a reviewer goes into the system, he can take the comment as is and say this is a problem, and it exists on this job; please fix it. He can take the comment and edit it slightly, or he can

say it's not applicable at all and move on. It's done a lot to reduce the number of comments. It's discipline specific. Each discipline owns their checklist, and that's, I think, a very important part of maintaining and using it effectively.

It also feeds into a very strong lessons learned program. The review comments and the edits are captured in the same environment that the lessons learned database exists. We also roll into that the outcomes of our VE studies. They go into this information database. The feedback from the contractor roundtables that Joe Toussaint talked about earlier, post-occupancy evaluation reports that planning, I think, will talk to you about and also recommendations that come out of this board.

What you say here and is recorded goes back and is put into this lessons learned system, and the next time we talk about revising the scope of work for geotech clarity, we will have the benefit of what was said here today in our thinking. So that's the real power and the use that we're making of the software today. Next

slide.

Here are the challenges. Here are the things that I think we will want to work on in the next year or two. I have to continue to train staff. We have a lot of new staff, and we're always encouraging new contractors. And each new contractor needs to learn about these tools. They have to be turned on, and they have to become comfortable in this new way of working.

Also, we need to develop a very strong module in operation and maintenance. We haven't talked about that much at this session, but I think in future ones, we will. You saw 27 to 50-some new buildings coming online. They represent an enormous operation and maintenance effort that we're going to have to address with the same level of intensity, creativity, and dialogue as we've had here today. We've started to capture some of that and build that into the design review checklist.

One real advantage, if there's an owner in the room, one thing that came out of the development of the checklist was the identification

of redundancies. When you see three different checklists from three different disciplines, and they're all checking security hardware, you know that there is some disagreement over who is responsible for security hardware. Is it our security people? Is it our architects? Is it our builders? And that, then, led to sort of a dialogue between the various disciplines about roles and responsibilities.

I would like some additional feedback in the future from the IAP on the use of building information management systems. This is a database of information that can be created at the outset of a project and is a very, very important tool in the long-term operation and maintenance of our buildings in terms of identifying equipment, putting our hands on warranties, replacement parts, repair schedules and so forth, and it has to happen up front in order for it to be effective for us.

And finally, we need to find a way to communicate in a secure environment the same way we do in the Web, and our diplomatic security has not

quite solved that nut for us yet. We think the answer is in some form of encryption technology, where we can transfer files through the Web with encryption devices at our end and in the contractor's office as well.

That's an overview, sir, of our thinking here.

GENERAL WILLIAMS: Okay; thank you, Bill.

Mike, will you go ahead, Michael?

MR. DECHIARA: Well, first, I'd like to commend all the OBO people. I think they did an outstanding job today. And Bill, in particular, it's quite amazing when you almost leave an attorney speechless with your presentation, so I really want to commend you on what you did.

[Laughter.]

MR. MINER: We should go duck hunting.

[Laughter.]

MR. DECHIARA: I thought going quail hunting might be more fun.

[Laughter.]

MR. DECHIARA: I took a page out of Mary

Anderson's book, and I went and spoke to a bunch of architects and engineers. But I presented them with a very discrete question. Instead of having four or five reviews, how would you like to get by with two significant reviews and one sort of lookback?

And the responses were overwhelming. From the designer's point of view, not surprisingly, they said fewer design reviews from the owner would be very welcome. They also said that fewer design reviews would create less opportunities for scope changes, and when you're talking about budget and schedule, that, I think, would be very, very helpful. That's coming from the design industry.

A surprising response I just didn't think I would get: they said less input from the owner side will result in a more efficient design. Now, take that, you know, however you want. That's a statement that I thought was quite surprising; came from a very prominent architecture firm.

The other thing from the architects that I spoke to, and I spoke to about half a dozen very

large architects, was that clear statements of program with fewer opportunities for change would be a very welcome positive.

From a contractor's side, and I spoke to only two major contractors, but they're national, the comments were really two. Most important issue to them was to know what the design is, that it's fixed and it's not changing. That gives them certainty, and they can really move ahead rapidly. That comes as no surprise to anybody. And the other would be that less change means less risk; less interruption will lead to greater efficiency. Those were the comments from those two contractors.

One thing that I got back from some of the architects, and I wanted to just sort of throw out, there was a split view from some of the more let's say high design end architects. Some expressed that they liked the program because it was challenging, and I was kind of surprised to hear that. Others frankly didn't like the program, because they felt it didn't give them enough creativity, and I thought I'd sort of share that

with you.

That's all I have on this. Thank you.

GENERAL WILLIAMS: Thank you very much. I think it's a very interesting perspective.

Todd.

MR. RITTENHOUSE: Thanks.

A couple of thoughts. I'll be brief, as we're getting towards the end. There are several sides that we come from here. One is we have a three-legged stool. We have an architect who wants to please the client and the contractor, and the client sometimes has various views on what they want. Sometimes, you have people with the belts and suspenders approach; you know, if one works, we'll put two in there, which goes to money, and of course, they're playing with the contractor's money primarily, and then, of course, depending on how far it goes, to the owner's money, and so, it's a three-legged stool that we have to balance.

I think there are two thoughts; a quote that I heard recently: you are defined by what you tolerate. And so, you need to control the review

team, get in there, make some real solid recommendations, make sure you only have one person making the recommendations. This is a problem of--I'll call it the pre-'01 problem, we're having, you know, having electrical engineers commenting on structure. You know, why was that getting into the review section? You know, we don't see that anymore, or at least we haven't seen it lately, but it's something we really have to vet.

Some one person needs to vet the questions to see, is this really germane to our total mission? Yes, two widgets might be better than one widget, but is that really what we're trying to do here? So we have to be careful of that.

And I think that some of the other areas that I needed to--as you go through this review, and you're adding value, whose value, whose value is being added? And so, we need to take in all of these little pieces.

And I'll actually close with an Ida Booker quote or what I will make into a quote: it's more important to be on the correct page than the same

page, and they all come together. People forget that we have one single mission here: to get it built, built quickly.

Taking out half these reviews and getting it down to two and a half reviews is awesome. And, you know, this lessons learned has been awesome. But it's most important to let all the reviewers, the designers, and the builders know you're not going to tolerate anything other than what is absolutely mandatory and make sure they're on the correct page, not just the same page.

GENERAL WILLIAMS: That's well said and summed up very nicely, and it just worked out that the design piece was last, and I think you can see as we moved into this and got into the flow, it seemed to have gotten better. I do want to give the panel an opportunity to speak to, respond to anything that Bill and his team of Michael and Todd had to say to us so that we can have the full benefit of the panel.

Any comments from any of the panel members? Yes, Joel?

MR. ZINGESER: This is very minor. Excuse the pun.

[Laughter.]

MR. ZINGESER: GSA is looking at BEMS in the same way that you are, and they have a mandate to be using BEMS on all projects in some way in 2007, and the first approach that they're looking at is a simple bar, a low bar, which has to do with gross and net calculations of square footage and things like that, which is a concern in your real estate operation, so you might want to talk to them, and I can tell you who to talk to.

GENERAL WILLIAMS: Okay; yes.

MR. HANEY: Let me just--I have a specific comment about that and then just a few summary statements.

Bill, I thought that was a great presentation. There were two points there that were really important: the providing the team and advanced with exactly those review topics so there can be a self evaluation first; I mean, what's the point in submitting something that you know is

going to be rejected? That was really important, and also, the BEMS thing I think is just absolutely designed for an organization like you that has to build fast a lot and maintain it for its lifetime.

And I'm committed on this panel, and I'll even say here I'll commit the resources necessary to help you do that. So whatever it takes, I think it's an ideal use for your particular organization and GSA that are builders and maintainers of buildings.

Lastly, I'd like to say that Michael brought up an interesting point about I think, as a design architect, that's what I do for a living, and my firm is known, I'd like to think, for doing design, I think if you are a design architect, and you're not participating in this program, you don't understand what it's about. And I say that not to be self-serving, because I think that the point here is that there's a challenge in front of you.

There's a challenge in front of us as a nation, and you are a physical manifestation of that. So it's our duty to step in. My firm is

doing Beijing and also doing Lome. I can't say that I'm going to do Beijing, you know, just forget about that other stuff. They're also equally important. And I think if you're, you know, in for the good stuff, you've got to be in for the other stuff, and I think we can make it better.

So that's a very important point you brought up, and it also hints at this thing that Joel said earlier: the program should be attractive equally to the highest level of consultants, and I think we can set that as a goal for this panel. To get that word out, you can't change something by throwing rocks from the outside. You got to get in it, find what the issues are, and make it better.

That's my summary.

MR. DECHIARA: If I could just throw one thing out.

GENERAL WILLIAMS: Yes, thank you, Gary.

MR. DECHIARA: It would be wonderful if we could have, say, a design competition, given the very strict parameters of what we have here and

perhaps invite 20 of the top designers in the United States to see what they would come up with in some sort of an idealized competition, because then, that could be, you know, widely publicized, carried by AIA, and create some real excitement.

Given these very difficult parameters, these very real parameters, you know, genius architects, what would you really come up with? And not that they have to be applied to any one program; it would create, I think, quite an interesting stir.

GENERAL WILLIAMS: Okay; thank you all.

I do want to do a little bit of cleanup. Before we do that, and I have some final comments, and then, there are some others, I do want to recognize the public that has for whatever reason has consistently come out and watched this Government-industry apparatus in work. We hope that it has been useful. We put the invitation out and respond. And we have always had a good gathering.

Obviously, it's--the panel and we would be

just fine, but we feel, since we are a public organization, we have opened this up to as many people as the room will hold. So we want to recognize your presence, and you have taken time out of your schedules to come, and I know that you are probably taking as much away as the time you're given, but the point is that I want to properly recognize you and let you know that you are wholesomely welcome, and your presence here today was recognized.

So I'd like to start with you in the corner, my friend. Not that friend, but how about this one right here.

[Representatives of the public introduce themselves.]

GENERAL WILLIAMS: Okay; I believe that does it for the visitors, and once again, I do want to say once again how pleased we are that you joined us, and we wanted to make certain that we recognized you.

At this time, I would just like to ask whether there's any comments from any member of our

staff.

[No response.]

GENERAL WILLIAMS: Okay; I would like to go around with each one of the panel members, giving those, the four who will be leaving the panel as of today the opportunity to speak first, and then, the rest of the panel members will have the comments in their own way.

Todd.

MR. RITTENHOUSE: Thank you.

General, I would like to thank you for this great opportunity, as well as Phyllis and Gina, who have really helped make it smooth, and if you could pass regards on to Suzanne Conrad, who I didn't realize wasn't going to be here, but she's been enjoyable and very helpful through the years.

It's been a little over four years, I believe, now, and two terms, and it's been a wonderful two-way experience trying to help you learn some of the issues, learn more about, as I've said before, how to actually take some of these nuggets and take them back to operate our own

businesses.

It's been interesting, because, you know, I met new colleagues and some friends out of this, right? And it's been--it's just been a tremendous opportunity, and I hope that everyone else stays on, and you get fresh faces to give new ideas. But I really want to thank you and everybody else and all the other panel members and your staff for this opportunity.

Thank you.

GENERAL WILLIAMS: Thank you very much, Todd. You've been a wonderful addition to our panel for the last four years.

Okay; we will--Mary?

MS. ANDERSON: Oh.

GENERAL WILLIAMS: No, sorry, Mary Ann. I'm sorry.

[Laughter.]

MS. LEWIS: One of those Marys. Do I get to stay?

GENERAL WILLIAMS: Well, I was just trying to see how--

[Laughter.]

MS. LEWIS: Thank you, General.

GENERAL WILLIAMS: Okay; nothing like shock effect, is there?

[Laughter.]

MS. LEWIS: I also have totally enjoyed this last couple of years, and I really thank you for letting me represent SAVE International on the panel. It is an honor to be able to keep up the value engineering pledge here. So I really thank you. And as I've said I think at almost every meeting, I've come away with much more from listening to you folks and hearing other perspectives than I think I've offered to the group, but I have sincerely enjoyed the opportunity.

Thank you.

GENERAL WILLIAMS: Thank you so much for participating.

Craig?

MR. UNGER: Again, kudos to--I'll echo the other thoughts and kudos to this program. I speak

in front of other owners and agencies, and I highly recommend that they look at what's going on over here at State and develop a program similar. And again, those who are new this time, I think it's--we need to restate over and over, even though Joel said it, is just because there's items listed or questions with the Williams 20 doesn't mean it's a problem. This program not only is successful, as someone had said; it's actually flourishing.

And again, to make it even better, it's to look at things that aren't necessarily--that aren't working or that we presume is a problem but to take it even to the next level. I know with representing DBIA, it's been a pleasure over these last few years to do that, and one of the things even looking at design build, yes, we beat on our chests on how wonderful we think it is, but there's numerous areas and problems and issues we deal with within design build: how do we take design build to the next level, truly achieve high performance teams?

And again, I really appreciate this last

few years and look forward to subbing or alternating for the DBIA's next rep should they be unable to attend. So thank you.

GENERAL WILLIAMS: Thank you, Craig. Thank you for your service.

S.G.?

MR. PAPADOPOULOS: General, I would like to also thank you for giving me the honor to serve on this panel for the past two years, also to thank very much your staff that has been most outstanding.

As I said earlier, I must confess that I did plagiarize several of your ideas, because I learned a lot, and I did use a lot of your management tools specifically to deliver platforms not for diplomacy but for pediatric AIDS in several nations.

Based on that program, I have successfully completed places in Romania, in Botswana, in Lesotho, in Swaziland, and right now going on in Malawi and Burkina Faso in Uganda with new ones coming, one in St. Petersburg and one in China.

So the cross-pollination was very effective. Not only I did learn a lot, but I also used what I learned to apply it with excellent results, and I think that's a very big kudos to what you're doing. There's a lot of collateral benefit from the OBO techniques and management tools.

I also would like to thank very much Jay Hicks, who assisted me in some difficult situations where we could not make any contacts in Sub-Saharan--in Burkina Faso and also Bill Miner for taking the time and making an excellent presentation to the American Council of Engineering Companies, a very outstanding presentation that disseminated the thoughts and the philosophies of the Department of State.

Again, I thank you very much. It's been an honor.

GENERAL WILLIAMS: I thank you, George, and I wish you the best going forward, and any way we can continue to help you with that very important mission, call on us.

Now, at this time, we would turn to the other members and, starting with you, Gary, and give you an opportunity for any final comments.

MR. HANEY: Thank you, General. I made my final comments earlier.

GENERAL WILLIAMS: Okay.

MR. HANEY: But I don't know what glitch happened, but I'm glad Joel is coming back for one more meeting.

[Laughter.]

MR. HANEY: Because I'm not prepared for the burden of being the only architect on the panel quite yet.

[Laughter.]

MR. HANEY: I'm a little too green.

GENERAL WILLIAMS: Thank you, Gary.

Joel.

MR. ZINGESER: Yes, I am glad that I am coming back for another meeting. As I've said before, it is an honor and certainly a pleasure, and it's a great learning experience to hear all the ideas that are thrown out.

I do want to underscore as a representative of AGC that the general contractors of America are here, are ready, and are able to perform for this program. Again, I do want to underscore, this is a most unusual meeting. It's open. As the General has said, it gives people like me an opportunity to put myself out there and let you beat on me, and that's okay, because that's the way we get information out, and we move things along.

The program is far from broke. It is flourishing. We've gone through a period of time with the General leading this organization and this staff to create something that in my 30 some odd years here in Washington, I don't think I've seen any agency or any part of the Government do what this organization has done. And as I was saying at lunch, you know, you could look back; maybe the Atomic Energy Commission was something that was created as a new entity for a very important mission, but that was created out of whole cloth. There was no Atomic Energy Commission.

There was a foreign buildings program before that. It was nothing like this program. So everybody in this room that's a part of it, all of the contractors, all of the consultants and the staff really ought to be proud of where we are.

It is a work in progress, and again, I commend you and the staff for keeping it open for continual improvement. Continual improvement is the way that it will get better, and I'm glad just to be a part of it.

Thank you.

GENERAL WILLIAMS: Thank you, Joel.

Yes.

MR. UNGER: I neglected to acknowledge a few of your key staff on behalf of DBIA, mainly Bill Miner, Bill Prior, Will Colston, I mean, you've made them available for conferences and speaking engagements sharing the information. I just wanted to make sure I didn't forget to recognize those folks.

Thank you.

GENERAL WILLIAMS: Thank you for

recognizing.

Mary, see, I was saving you for last.

MS. ANDERSON: I also appreciate the fact that I'll be here for another meeting, for many reasons, one of which is the opportunity to learn and contribute and reach out to the membership of the Society of American Military Engineers. It's been a great two-way exchange. And also, on behalf of the Society of American Military Engineers, since Mr. Brown already beat to it, congratulations on the Golden Eagle Award.

GENERAL WILLIAMS: Thank you.

MS. ANDERSON: It's a very prestigious and well deserved award.

GENERAL WILLIAMS: Thank you.

MS. ANDERSON: And also further to thank you for supporting the Society of American Military Engineers and your agreeing to participate in the international forum that we have coming up.

GENERAL WILLIAMS: Thank you.

MS. ANDERSON: So I thank you.

GENERAL WILLIAMS: Thank you very much,

and thanks for your contribution.

MS. ANDERSON: Thank you.

GENERAL WILLIAMS: Mark, you're sitting in, and you can give us any impressions you have. We were delighted to have you as his stand-in. He talked to me about it before he had to be away, and we appreciate you sitting in.

MR. VISBAL: I appreciate the opportunity to be here, General.

All I have to say is this is an outstanding effort, and best of luck to you all.

GENERAL WILLIAMS: Thank you.

MR. VISBAL: I hope to see you again sometime.

GENERAL WILLIAMS: Thank you, thank you.

Well, in summary, let me once again just restate the obvious. What we are trying to do here is be as well as we can a representative of the taxpayers as stewards. And we feel that this panel has been an absolutely supportive element throughout this whole process.

This work is not easy. You know that.

You know where we started. We're still working our way through all of this. We are having some successes. We are getting tremendous support from Dr. Rice and her staff, from OMB and the Congress. I couldn't ask for a better slice of support from them. They understand what we are trying to do, and I think that there's trust between us.

And all of that makes for the effort to get where we want to go in a good manner. It's not very easy to revive a program of this magnitude. Most of you know I've been in Government before. I've worked in some very difficult places in the private sector, and this is quite a challenge. But my agreeing to accept this responsibility was to be able to try to do something.

And I knew after many, many years in this business that I couldn't do it alone. I needed first of all a good staff, and I do have a very good staff in place. You've heard and seen many of them. You interact with them as well. We are on the same page. We have made the right turn on the second curve.

We still got a little work to do as we continue to work with culture, as Bill Miner mentioned; obviously, we're a big organization, and we're not perfect by any means. But I can tell you as a representative of your State Department for doing this work, you don't have anything to be ashamed of. We are working it hard. Our people are professionals, and we are very proud of them as a staff.

Also, I would like to end this today by thanking our reporter, who is behind me. It is an awesome job to record this, as it should be. We have public meetings, as it should be, and of course, one of the requirements is to make certain that we put down what happened here today as a matter of record, and I want to thank our reporter for doing that.

Also, I want to thank my special assistant, Phyllis Patten Breeding, who I'll let a little cat out of the bag today; she's been with me for 18 years, behind me, so, she probably knows me as well as anyone, and that speaks well for her and

also about the loyalty that exists. Phyllis has arranged all the luncheons, and for the panel, you know; you've had an opportunity to interact with her.

Gina is our external affairs manager. We felt strong enough about the bridge or the gap between our organization and industry, and these are the kind of things I want you to take away, because we can have discussions about the other matters, and you help us quite well, but the other things that are happening with our linkage to industry are really, really first timers.

We have a staff person who is dedicated to the sole purpose of ensuring that there is a collective link between industry and our organization. We get very busy, and it is not enough for me to ask Bill Miner or Bill Prior or Joe or Bob or anybody else to do this. Gina's sole responsibility is to do that. She does it quite well. She has a very small staff that assists her with this, and I want to thank Gina for her effort as well.

Also, we have some people who mostly are outside. They were keeping up a little noise. I thought I was going to have to send them to time out a few minutes ago.

[Laughter.]

GENERAL WILLIAMS: These are the people who have been your escorts. They are from our Management Support Division, and they are outside and will be assisting you as you leave out. I would like to thank them as well.

And then, of course, once again, for the visitors, thank you for coming. Thanks to the panel, and we'll be taking another five from the Williams 20 next time we meet.

I know that it is an element of danger if you are concerned about your management focus to open the organization up like we do. But Government should not be private stuff. Industry is a partner. We have to recognize it. There shouldn't be any adversarial relationships. We don't want to have any.

And so, our meetings and what we are doing

in the organization are open. The GAO is here; the IG has been here; everybody has been to take a look at what we are doing and you, the public. So it is a break from tradition, and these are the takeaways: the openness, the effort on our part to communicate. We want you to know what we know, and we want you to understand our program. And that's the whole purpose of all of this.

So once again, thank you for coming. Drive safe until we meet again.

[Whereupon, at 3:39 p.m., the meeting concluded.]